REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 2004

COMMERCIAL

GOVERNMENT OF TAMIL NADU

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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

COMMERCIAL

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GOVERNMENT OF TAMIL NADU

TABLE OF CONTENTS

Particulars	Reference to	
	Paragraph	Page
Preface		(vii)
Overview		(ix)-(xiv)
CHAPTER-I		
Overview of Government companies and Statutory corporations		1
Introduction	1.1	1
Working Public Sector Undertakings (PSUs)	1.2-1.12	2-8
Reforms in power sector	1.13-1.14	8-10
Non-working PSUs	1.15-1.19	10-12
Status of placement of Separate Audit Reports of Statutory corporations in Legislature	1.20	12
Disinvestment, privatisation and restructuring of Public Sector Undertakings	1.21	12
Results of audit of accounts of PSUs by Comptroller and Auditor General of India	1.22-1.25	13-14
Recoveries at the instance of Audit	1.26	14-15
Internal Audit/Internal Control	1.27	15
Recommendations for closure of PSUs	1.28	15
Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)	1.29	15-16
619-B companies	1.30	16
CHAPTER-II		
Reviews relating to Government companies	2	
Review on the working of Tamil Nadu Tea Plantation Corporation Limited	2.1	17
Highlights		17
Introduction	2.1.1	18
Objectives	2.1.2	18

Particulars	Reference to	
	Paragraph	Page
Scope of Audit	2.1.3	19
Organisational set-up	2.1.4	19
Financial position and working results	2.1.5	19-20
Area under plantation and lease rent	2.1.6 - 2.1.7	20-21
Plantation activities	2.1.8-2.1.12	21-24
Performance of tea factories	2.1.13 - 2.1.15	24-27
Marketing and sales	2.1.16 - 2.1.23	27-29
Man power	2.1.24	29-30
Internal Audit	2.1.25	30
Conclusion		30
Review on Tamil Nadu Industrial Investment Corporation Limited	2.2	31
Highlights		31
Introduction	2.2.1	32
Objectives	2.2.2	32
Scope of Audit	2.2.3	32-33
Organisational set-up	2.2.4	33
Financial position and working results	2.2.5 - 2.2.8	33-34
Sanction and disbursement of loans	2.2.9 - 2.2.12	35-37
Follow-up of dues	2.2.13 - 2.2.18	37-40
Recovery performance	2.2.19 - 2.2.29	40-44
Agency operation	2.2.30	44-45
Man power	2.2.31	45
Internal Audit	2.2.32	46
Conclusion		46
CHAPTER-III		
Reviews relating to Statutory corporation	3	
Tamil Nadu Electricity Board		
Sectoral Review on Fuel Management	3.1	47
Highlights		47

Particulars	Reference to	
	Paragraph	Page
Introduction	3.1.1	48
Organisational set-up	3.1.2	48
Scope of Audit	3.1.3	48-49
Procurement of fuel	3.1.4 - 3.1.9	49-52
Consumption of fuel	3.1.10 - 3.1.12	52-54
Conclusion		54
Information Technology Review on implementation of Software on High Tension Revenue Billing	3.2	55
Highlights		55
Introduction	3.2.1	56
Audit scope and methodology	3.2.2	56
Software development and implementation	3.2.3 – 3.2.4	56-57
Deficiencies in system design	3.2.5 - 3.2.8	57-58
Deficiencies in billing module	3.2.9 - 3.2.16	58-60
Deficiencies in security deposit module	3.2.17 – 3.2.21	61
Deficiencies in HT application module	3.2.22 – 3.2.24	62
Absence of module to implement provisions of Energy audit	3.2.25	62-63
Review of the incentive schemes	3.2.26	63
Deficiencies in change Management Controls	3.2.27 – 3.2.31	63-64
Conclusion		64
CHAPTER-IV		
Transaction Audit Observations relating to Government companies and Statutory corporations	4	65
Government companies	4	65
Tamil Nadu Civil Supplies Corporation Limited		65
Excess purchase of gunnies	4.1	65-66
Avoidable transportation charges	4.2	66
Avoidable expenditure	4.3	66-67

Particulars	Reference to	
	Paragraph	Page
State Industries Promotion Corporation of Tamil Nadu Limited		67
Undue benefit to private parties	4.4	67-69
Poompuhar Shipping Corporation Limited		69
Wasteful expenditure	4.5	69
Tamil Nadu Minerals Limited		70
Avoidable expenditure	4.6	70
State Transport Undertakings		71
Avoidable extra expenditure	4.7	71
Statutory corporations		72
Tamil Nadu Electricity Board		72
Deficiencies in internal control and Internal Audit System	4.8	72-78
Irregular payment of Income Tax	4.9	78-79
Delay in procurement of rotor	4.10	79-80
Avoidable extra expenditure on interest	4.11	80-81
Undue benefit to an independent power producer	4.12	81-82
Loss of revenue	4.13	82-83
Avoidable expenditure	4.14	83-84
Blocking up of funds	4.15	84-85
Undue benefit to two consumers	4.16	85-86
Avoidable loss	4.17	86-87
Tamil Nadu Warehousing Corporation		87
Wasteful expenditure	4.18	87-88
General		88
Follow-up action on Audit Reports	4.19	88-90
Response to inspection reports, draft paragraphs and reviews	4.20	90-91

Particulars		Reference to	
		Paragraph	Page
ANNEXURES			
1.	Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations	1.3, 1.4, 1.5 and 1.16	95-103
2.	Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalized	1.6, 1.7, 1.8 1.12, 1.15, 1.18, 1.19 and 1.28	104-114
3.	Statement showing subsidy/grant received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2004	1.5	115-119
4.	Statement showing financial position of Statutory corporations	1.7	120-121
5.	Statement showing working results of Statutory corporations	1.7	122-123
6.	Statement showing operational performance of Statutory corporations	1.11	124-126
7.	Major recommendations/comments made by the statutory auditors on possible improvements in internal audit/internal control systems of Government companies	1.27	127
8.	Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts	1.30	128
9.	Financial position of Tamil Nadu Tea Plantation Corporation Limited for the five years ended 31 March 2004	2.1.5	129
10.	Working results of Tamil Nadu Tea Plantation Corporation Limited for the five years ended 31 March 2004	2.1.5	130
11.	Budgeted and actual yield of GTL in Tamil Nadu Tea Plantation Corporation Limited	2.1.8	131
12.	Production performance of tea factories of Tamil Nadu Tea Plantation Corporation Limited	2.1.13	132

Particulars		Reference to	
		Paragraph	Page
13.	Financial position of Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004	2.2.6	133
14.	Working results of Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004	2.2.7	134
15.	Resources and utilisation of funds in Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004	2.2.8	135
16.	Receipt and disposal of applications for loan assistance in Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004	2.2.10	136
17.	Analysis of overdues of term loan in respect of closed/defunct units assisted by Tamil Nadu Industrial Investment Corporation Limited	2.2.11 and 2.2.15	137-139
18.	Statement of amounts due for recovery and recovered by Tamil Nadu Industrial Investment Corporation Limited for the last five years 1999-2000 to 2003-04	2.2.20	140-141
19.	Installed capacity and generation of power by the power stations of Tamil Nadu Electricity Board	3.1.1	142
20.	Performance of Internal Audit Wing of Tamil Nadu Electricity Board	4.8.13	143
21.	Statement showing paragraphs/reviews for which explanatory notes were not received	4.19.1	144
22.	Statement showing persistent irregularities pertaining to Government companies appeared in the Report of CAG of India (Commercial), Government of Tamil Nadu	4.19.3	145-147
23.	Statement showing persistent irregularities pertaining to Statutory corporations appeared in the Report of CAG of India (Commercial), Government of Tamil Nadu	4.19.3	148-149
24.	Statement showing the department-wise outstanding inspection reports	4.20	150
25.	Statement showing the department-wise draft paragraphs, reply to which are awaited	4.20	151
	Glossary		152

PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations including Tamil Nadu Electricity Board and has been prepared for submission to the Government of Tamil Nadu under Section 19-A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) – Government of Tamil Nadu.

3. Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Tamil Nadu Electricity Board, which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Tamil Nadu Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Tamil Nadu Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of these corporations/commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2003-04 as well as those, which came to notice in earlier years but were not dealt with in the previous reports. Matters relating to the period subsequent to 2003-04 have also been included, wherever necessary.

2-19—2

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 68 Public Sector Undertakings (PSUs) comprising 66 Government companies and two Statutory corporations (both working) as against 78 Public Sector Undertakings comprising 76 Government companies and two Statutory corporations as on 31 March 2003. Of 66 companies, 14 companies were non-working. In addition there were three deemed Government companies under Section 619-B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.30)

The total investment in working PSUs increased from Rs.11,496.85 crore as on 31 March 2003 to Rs.13,581.35 crore as on 31 March 2004. The total investment in non-working PSUs decreased from Rs.88.12 crore to Rs.84.23 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of capital, loans, grants and subsidies disbursed to the working PSUs decreased from Rs.3,715.99 crore in 2002-03 to Rs.1,673.24 crore in 2003-04. The State Government also contributed loan of Rs.3.51 crore to one non-working company during 2003-04. The State Government guaranteed loans aggregating Rs.1,138.45 crore during 2003-04. The total amount of outstanding loans guaranteed by the State Government increased from Rs.7,116.02 crore as on 31 March 2003 to Rs.7,378.89 crore as on 31 March 2004.

(Paragraphs 1.5 and 1.16)

Thirty seven working Government companies and one Statutory corporation have finalised their accounts for 2003-04. The accounts of 15 working Government companies and one Statutory corporation were in arrears up to three years as on 30 September 2004. The accounts of nine non-working companies were in arrears for periods ranging from one to 12 years as on 30 September 2004.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 31 working PSUs (29 Government companies and two Statutory corporations) earned aggregate profit of Rs.298.40 crore. Out of 37 working Government companies, which finalised their accounts for 2003-04 by September 2004, only six companies declared dividend aggregating Rs.8.14 crore. Twenty three working Government companies incurred aggregate loss of Rs.178.96 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 16 companies had accumulated losses aggregating Rs.1,955.29 crore, which exceeded their aggregate paid-up capital of Rs.715.67 crore.

(Paragraphs 1.7, 1.8 and 1.9)

Even after completion of 19 to 27 years of their existence, the turnover of three working Government companies had been less than rupees five crore in each of the preceding six years as per their latest finalised accounts. Of these three, one company had been incurring losses for four consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either improve performance of these companies or consider their closure.

(Paragraph 1.28)

2 Reviews relating to Government companies

2.1 Tamil Nadu Tea Plantation Corporation Limited

Tamil Nadu Tea Plantation Corporation Limited was incorporated in August 1975 to rehabilitate repatriate families from Sri Lanka. The Company commenced its operation from 1 April 1976 and had absorbed 2,445 Sri Lankan repatriate families so far as against the target of 2,825 families. The Company developed tea plantations covering 4,431.92 hectare in four phases up to 1995. The key problem area of the Company is its inability to get good price for tea. Some of the important points noticed in Audit are given below:

Shortfall in Green Tea Leave yield compared to budgeted yield resulted in loss of contribution of Rs.15.98 crore during the five years ended 31 March 2004.

(Paragraph 2.1.8)

Green Tea Leaves yield in the Company was lower than that in private tea estates resulting in loss of contribution of Rs.17.97 crore during 1999-2004.

(Paragraph 2.1.11)

Non-achievement of district average price in the auction sale by the Company resulted in revenue loss of Rs.12 crore during the five years ended 31 March 2004.

(Paragraph 2.1.19)

2.2 Tamil Nadu Industrial Investment Corporation Limited

Tamil Nadu Industrial Investment Corporation Limited was incorporated in March 1949 with a view to aid/provide financial assistance to medium, small scale and tiny industries and also to extend financial assistance by way of direct participation in the equity of the assisted units. The steady increase in percentage of non-performing assets to total outstanding amount indicates that the recovery mechanism of the Company was ineffective. Some of the important points noticed in Audit are given below:

Accumulated losses of Rs.328.85 crore as on 31 March 2004 had completely eroded the paid-up capital.

(Paragraph 2.2.6)

Deficiencies in the appraisal of projects resulted in non-recovery of Rs.67.42 crore from 18 units as on 31 March 2004.

(Paragraph 2.2.11)

Faulty implementation and poor follow-up not only resulted in non-recovery of Rs.62.20 crore but also did not serve the intended purpose of Mudalipalayam scheme.

(Paragraph 2.2.12)

Deficiencies in follow-up of overdues resulted in non-recovery of Rs.34.21 crore from six units.

(Paragraph 2.2.15)

3 Reviews relating to Statutory corporation

Tamil Nadu Electricity Board

3.1 Sectoral review on Fuel Management

Tamil Nadu Electricity Board has 160 power generation stations comprising four thermal, three gas based, one naptha based, 32 hydel and 120 windmill stations. The installed capacity as on 31 March 2004 was 5,401.035 Mega

Watt (MW). Some of the important points noticed in Audit are given below:

The Board had incurred Rs.68.35 crore on account of stones and mill rejects contained in coal.

(Paragraph 3.1.8)

There was excess consumption of naptha valuing Rs.34.96 crore in Basin Bridge Gas Turbine Power Station due to excessive heat consumption.

(Paragraph 3.1.11)

3.2 *Information Technology review on Software for High Tension revenue billing*

The software for High Tension billing in all the 37 Electricity Distribution Circles of Tamil Nadu Electricity Board was introduced in July 2001. The software did not cover all the essential items of revenue to be assessed.

(Paragraphs 3.2.1 and 3.2.4)

The program did not levy maximum demand charges based on recorded maximum demand resulting in short levy of Rs.28.21 lakh.

(Paragraph 3.2.9)

The program did not ensure compliance to energy audit regulations resulting in non-recovery of penal charges of Rs.33.29 lakh.

(Paragraph 3.2.25)

4 Transaction Audit Observations

Audit observations included in this Report highlights deficiencies in the management of Public Sector Undertakings, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Unproductive expenditure/imprudent investment/blocking up of funds and loss of interest amounting to Rs.12.12 crore in four cases.

(Paragraphs 4.1, 4.14, 4.15 and 4.18)

- Avoidable extra expenditure amounting to Rs.6.35 crore in six cases.

(Paragraphs 4.2, 4.3, 4.5, 4.6, 4.7 and 4.11)

- Loss of revenue of Rs.31.76 crore in two cases.

(Paragraphs 4.10 and 4.13)

- Excess payments of Rs.45.78 crore in two cases.

(Paragraphs 4.9 and 4.12)

- Undue favours to allottees of land and consumers resulting in loss of Rs.7.99 crore in three cases.

(Paragraphs 4.4, 4.16 and 4.17)

Gist of some of the important observations is given below:

Tamil Nadu Civil Supplies Corporation Limited purchased gunnies in excess of requirement resulting in blocking up of Rs.6.11 crore and consequent interest loss of Rs.91.65 lakh.

(Paragraph 4.1)

State Industries Promotion Corporation of Tamil Nadu Limited revised its policy to accommodate two private parties resulting in an undue benefit of Rs.6.65 crore.

(Paragraph 4.4)

Tamil Nadu Electricity Board paid Rs.40.19 crore as income tax to an independent power producer against the terms of the agreement.

(Paragraph 4.9)

Inordinate delay by **Tamil Nadu Electricity Board** in placing order for rotor in Ennore Thermal Power Station resulted in generation loss of 378 million units of power and loss of contribution of Rs.28.56 crore.

(Paragraph 4.10)

Tamil Nadu Electricity Board incurred avoidable extra expenditure of Rs.4.25 crore due to its failure to accept reduction in interest rates.

(Paragraph 4.11)

Tamil Nadu Electricity Board extended undue benefit of Rs.5.59 crore to an independent power producer towards interest on working capital and return on equity.

(Paragraph 4.12)

CHAPTER-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 66 Government companies (52 working companies and 14# non-working companies) and two Statutory corporations (both working) as against 76 Government companies (62 working companies and 14 non-working companies) and two working Statutory corporations as on 31 March 2003 under the control of the State Government. During the year, 18 State Transport companies were merged into seven Government companies and one new Government company *viz.*, Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited was formed. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The State Government had formed Tamil Nadu Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2)[Δ] of the Electricity Act, 2003. The audit arrangements of Statutory corporations are as shown below:

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Tamil Nadu Electricity Board	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with Section 185 (2)(d) of the Electricity Act, 2003*.	Sole audit by CAG
Tamil Nadu Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and Supplementary audit by CAG

\# Non-working companies are those, which are under the process of liquidation/closure, merger, etc.

Δ Earlier provision of Section 34 (4) of the Electricity Regulatory Commissions Act, 1998 was repealed by the Electricity Act, 2003.

* The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

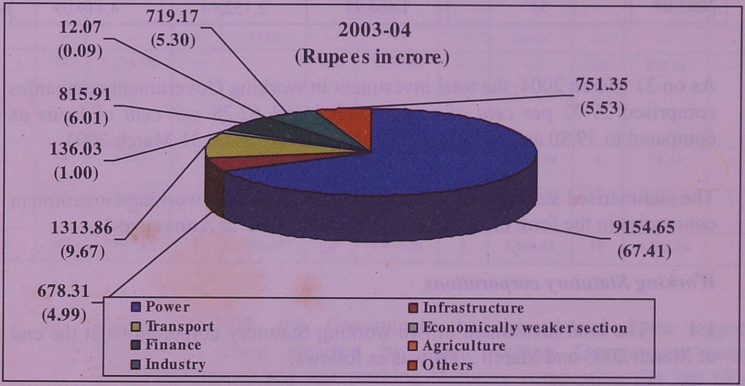
1.2 As on 31 March 2004, the total investment in 54 working PSUs (52 Government companies and two Statutory corporations) was Rs.13,581.35 crore (equity: Rs.2,099.56 crore; long-term loans*: Rs.11,481.79 crore) as against 64 working PSUs (62 Government companies and two Statutory corporations) with a total investment of Rs.11,496.85 crore (equity: Rs.1,863.10 crore; long term loans: Rs.9.633.75 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts.

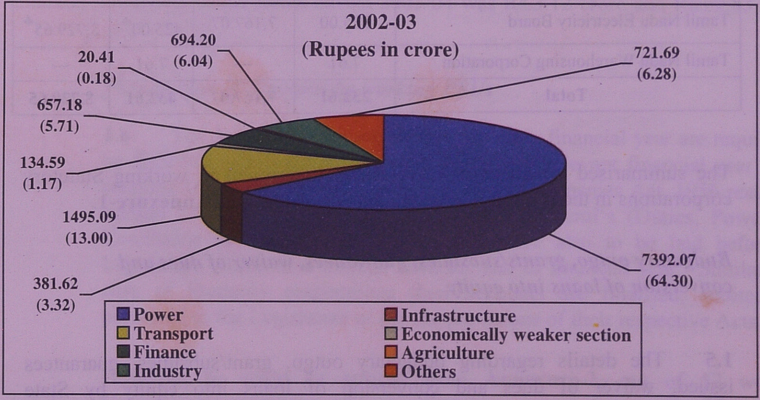
* Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4, 1.15 and 1.16 are excluding interest accrued and due on such loans.

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Total investment: Rs.13,581.35 crore
(Figures in brackets indicate percentage)



Total investment: Rs.11,496.85 crore
(Figures in brackets indicate percentage)



Working Government companies

1.3 Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2002-03	62	1,630.49	2,466.68	4,097.17
2003-04	52	1,666.95	2,752.14	4,419.09

As on 31 March 2004, the total investment in working Government companies comprised 37.72 *per cent* of equity capital and 62.28 *per cent* of loans as compared to 39.80 and 60.20 *per cent*, respectively as on 31 March 2003.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1.**

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Tamil Nadu Electricity Board	225.00	7,167.07	425.00♣	8,729.65♣
Tamil Nadu Warehousing Corporation	7.61	---	7.61	---
Total	**232.61**	**7,167.07**	**432.61**	**8,729.65**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grant/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and Statutory corporations are given in **Annexures-1 and 3**.

♣ Provisional figures, as accounts are under finalisation.

The budgetary outgo (in the form of equity capital and loans) and subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to March 2004 are given below:

(Amount – Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	2	3.79	1	100.00	5	34.35	1	25.00	4	33.46	1	200.00
Loans given from budget	4	16.54	---	---	5	19.57	--	--	4	223.51	---	---
Grants	---	---	1	43.62	---	---	1	29.47	---	---	---	---
(i) Subsidy towards projects/ programmes/ schemes	10	1,354.99	---	---	9	1,373.60	---	---	10	894.86	---	---
(ii) Other subsidy	12	53.95	1	322.50	5	21.86	1	2,212.14	4	71.41	1	250.00
(iii) Total subsidy	22	1,408.94	1	366.12	14	1,395.46	1	2,212.14	14	966.27	1	250.00
Total outgo	**25***	**1,429.27**	**1**	**466.12**	**19***	**1,449.38**	**1**	**2,266.61**	**19**	**1,223.24**	**1**	**450.00**

During 2003-04, the Government had guaranteed loans aggregating Rs.1,138.45 crore obtained by nine working Government companies (Rs.350.26 crore) and one working Statutory corporation (Rs.788.19 crore). At the end of the year, guarantees amounting to Rs.7,378.89 crore against 18 working Government companies (Rs.2,736.85 crore) and one working Statutory corporation (Rs.4,642.04 crore) were outstanding. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2003-04 was Rs.3.12 crore and Rs.22.83 crore, respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, out of 52 working Government companies and two Statutory corporations, only 37 working

* These are actual number of companies/corporation, which have received budgetary support in the form of equity, loan, subsidies and grant from the State Government during the respective years.

companies and one Statutory corporation have finalised their accounts for 2003-04 within the stipulated period. During October 2003 to September 2004, 16 working Government companies finalised 16 accounts for previous years. Similarly, during the same period one Statutory corporation (Tamil Nadu Electricity Board) finalised its accounts for previous year.

The accounts of 15 working Government companies and one Statutory corporation were in arrears up to three years as on 30 September 2004 as detailed below:

Serial No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl.No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	---	2001-02, 2002-03 and 2003-04	3	A-22	----
2.	1	---	2002-03 and 2003-04	2	A-30	---
3.	13	1	2003-04	1	♣	B-1

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in Audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 52 working Government companies and two working Statutory corporations, 23 companies incurred aggregate loss of Rs.178.96 crore and 29 companies and two Statutory corporations earned aggregate profit of Rs.184.65 crore and Rs.113.75 crore respectively.

♣ Serial numbers A-7, 8, 10, 12, 17, 29, 31 to 33, 35 and 49 to 51 of Annexure-2.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 37♣ working Government companies, which finalised their accounts for 2003-04 by 30 September 2004, 22 companies earned an aggregate profit of Rs.96.62 crore and only six companies (serial numbers A-19, 21, 23, 24, 39 and 40 of **Annexure-2**) declared dividend aggregating Rs.8.14 crore. The dividend as percentage of share capital in the above six companies worked out to 12.18. The remaining 16 profit making companies did not declare any dividend. The total return by way of above dividend of Rs.8.14 crore worked out to 0.52 *per cent* in 2003-04 on total equity investment of Rs.1,579.72 crore by the State Government in all Government companies as against 0.40 *per cent* in the previous year. The State Government has not formulated any dividend policy for payment of minimum dividend.

Similarly, out of 10 working Government companies, which finalised their accounts for previous years by September 2004, seven companies earned an aggregate profit of Rs.88.03 crore and out of these seven companies, five companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 23 loss incurring working Government companies, 16 companies had accumulated losses aggregating Rs.1,955.29 crore, which exceeded their aggregate paid-up capital of Rs.715.67 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to seven out of these 16 companies in the form of equity, loans and subsidy amounting to Rs.1,070.83 crore during 2003-04.

Working Statutory corporations

Profit earning Statutory corporation and dividend

1.10 Out of two Statutory corporations, one corporation (Tamil Nadu Warehousing Corporation) finalised its accounts for 2003-04. This Corporation earned a profit of Rs.1.18 crore and declared a dividend of Rs.31.39 lakh to the State Government. The other Statutory corporation (Tamil Nadu Electricity Board) which finalised its accounts for 2002-03, earned a profit of Rs.112.57 crore for that year. The accumulated losses of Tamil Nadu Electricity Board as on 31 March 2003 was Rs.1,295.63 crore, which exceeded the paid-up capital of Rs.225 crore as on that date.

♣ These includes six companies, which finalised their previous years' accounts also.

Operational performance of working Statutory corporations

1.11 The operational performance of the working Statutory corporations is given in **Annexure-6**.

It could be seen from **Annexure-6** that the power generation by Tamil Nadu Electricity Board decreased by 3.27 *per cent* during 2003-04 though demand increased by 3.89 *per cent* during the same period. This necessitated increased purchase of power from other states.

As regards Tamil Nadu Warehousing Corporation, the percentage of capacity utilisation, which was 90 *per cent* in 2000-01, came down drastically to 58 *per cent* in 2003-04, resulting in reduction of income.

Return on capital employed

1.12 As per the latest finalised accounts (up to September 2004), the capital employed♦ worked out to Rs.7,047.74 crore in 52 working companies and total return♠ thereon amounted to Rs.723.39 crore, which is 10.26 *per cent* as compared to total return of Rs.533.37 crore (6.55 *per cent*) in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2004) worked out to Rs.9,895.59 crore and Rs.791.48 crore, respectively as against the total return of (-)Rs.4,306.42 crore in 2002-03. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in power sector

Status of implementation of MOU between the State Government and the Central Government

1.13 In pursuance to Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed in January 2002 between the Ministry of Power, Government of India and the Department of Energy, Government of Tamil Nadu as a joint commitment for implementation of reforms programme in power sector with identified milestones.

♦ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

♠ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Status of implementation of reform programme against each commitment made in the MOU is detailed below:

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2004)	Remarks
	Commitments made by the State Government			
1	Appointment of Chairperson in State Electricity Regulatory Commission (SERC)	January 2002	Appointed and assumed charge in July 2002	---
2	100 per cent electrification of all villages and hamlets	By 2007 (64,042 villages and hamlets)	63,842 villages and hamlets have been electrified	---
3.	Reduction in transmission and distribution losses to 15 per cent	By December 2003	Transmission and distribution losses - 18 *per cent*	Transmission and distribution losses continued to be at 18 per cent in 2003-04 also.
4.	100 per cent metering of all distribution feeders	December 2001	Completed	---
5.	100 per cent metering of all consumers	December 2003	All services except agriculture and hut services metered	As on 30 September 2004, 93,190 agriculture services and 59,427 hut services were metered. Remaining services in these categories are not metered as per TNERC directives.
6.	Current operations in distribution to reach at break-even	March 2003	There was a deficit of Rs.1,166.42 crore as per the preliminary accounts for the year 2003-04	---
7.	Energy audit at 11 KV sub-stations level	January 2002	Introduced in January 2002	---
8.	Computerisation of HT & LT billing	December 2002	HT billing fully computerized	LT billing in 90 sections out of 2,376 sections were computerized
9.	Securitised outstanding due of central public sector undertakings	As per scheme approved by Government of India	State Cabinet approved securitisation in April 2002. Government order issued in June 2002.	---
10.	State Electricity Regulatory Commission (SERC)			
	(i) Establishment of TNERC		Established in March 1999	---

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2004)	Remarks
	(ii) Implementation of tariff orders issued by TNERC during the year	First Tariff petition to be filed by 30 September 2002	Since filed in September 2002 and first tariff revision effected from March 2003.	---
	General			
11.	Monitoring of MOU	Quarterly	Being monitored on quarterly basis.	---

State Electricity Regulatory Commission

1.14 Government of Tamil Nadu constituted (March 1999) Tamil Nadu Electricity Regulatory Commission (TNERC), with three members including a Chairman, under Section 17(1) of the Electricity Regulatory Commissions Act, 1998♣. The Commission started functioning with effect from 1 September 1999. The Commission issued its first tariff notification in March 2003. Accounts of TNERC have been finalised up to March 2003.

Non-working PSUs

Investment in non-working PSUs

1.15 As on 31 March 2004, the total investment in 14 non-working PSUs (all Government companies) was Rs.84.23 crore (equity: Rs.38.53 crore; long-term loans: Rs.45.70 crore) as against total investment of Rs.88.12 crore (equity: Rs.43.43 crore; long-term loans: Rs.44.69 crore) in 14 non-working companies as on 31 March 2003.

The classification of the non-working companies was as under:

(Amount – Rupees in crore)

Sl.No.	Status of non-working companies	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation*	2[A]	3.95	NIL
(ii)	Under closure	8[B]	27.31	45.70
(iii)	Under merger	2[C]	5.20	NIL
(iv)	Others	2[D]	2.07	NIL
	Total	**14**	**38.53**	**45.70**

♣ Since replaced with Section 82(1) of the Electricity Act, 2003.

* One Company, Tamil Nadu Goods Transport Corporation Limited, which was under liquidation, had been directed by the State Government to be merged with State Express Transport Corporation Limited. Approval of Company Law Board was awaited.

A Serial numbers C-7 and 11 of Annexure-2

B Serial numbers C-1 to 5, 9, 10 and 13 of Annexure-2

C Serial numbers C-8 and 14 of Annexure-2

D Serial numbers C-6 and 12 of Annexure-2

Of the above non-working PSUs, 10 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for three to 14 years and substantial investment of Rs.76.96 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.16 The details regarding budgetary outgo in the form of loan to the non-working Government companies are given in **Annexure-1**. The State Government had given loan of Rs.3.51 crore to one non-working company (C-13 of **Annexure-1**) during 2003-04.

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2003-04 are given below:

(Amount – Rupees in crore)

Year	No of PSUs	Total establishment expenditure	Financed by		Others
			Disposal of investment/ assets	Government by way of loans	
2001-02	10*	5.41	0.04	5.37	---
2002-03	2*	0.62	0.62	---	---
2003-04	3*	2.16	---	1.68	0.48♣

Finalisation of accounts by non-working PSUs

1.18 The accounts of nine non-working companies were in arrears for periods ranging from one to 12 years as on 30 September 2004 as could be noticed from **Annexure-2**.

Financial position and working results of non-working PSUs

1.19 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**.

The year-wise details of paid-up capital, net worth, cash loss and accumulated

* Information in respect of other companies were not available.

♣ Interest and miscellaneous income.

loss/profit of non-working PSUs as per their latest finalised accounts are given below:

(Rupees in lakh)

Year of latest finalised accounts	Number of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-)/profit
1989-90	1	32.66	N.A	N.A	(-)132.55
1991-92	1	0.002	(-)127.86	6.22	127.86
1993-94	1	207.36	(-)0.12	166.67	(-)207.48
1998-99	1	31.50	(-)61.57	2.39	(-)209.07
1999-2000	2	754.00	(-)7928.08	1,308.36	(-)8,682.08
2000-01	1	27.50	9.88	0.16	(-)17.62
2002-03	3	762.03	(-)3,260.53	747.47	(-)6,078.08
2003-04	4	2,038.12	(-)672.19	5.75	(-)2,731.49

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.20 The following table indicates the status of placement of various Separate Audit Reports (SAR) on the accounts of Statutory corporations issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Tamil Nadu Electricity Board	2000-01	2001-02 and 2002-03	September 2003 and June 2004	---

Disinvestment, privatisation and restructuring of Public Sector Undertakings

1.21 During the year, the Government amalgamated 18 State Transport Undertakings (STUs) into seven STUs for operational convenience and economic viability. The Government had decided (November 2003) to amalgamate Tamil Nadu Goods Transport Corporation Limited, which is under liquidation, with State Express Transport Corporation Limited. The approval of Company Law Board was awaited (September 2004).

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.22 During October 2003 to September 2004, the audit of accounts of 48 Government companies (working: 44 and non-working: 4) and two accounts of two working Statutory corporations were selected for review. As a result of the observations made by the CAG, three working companies and one Statutory corporation, listed below, revised their accounts:

Sl.No.	Name of the company	Year of accounts
1.	Tamil Nadu Civil Supplies Corporation Limited	2002-03
2.	Tamil Nadu Corporation for Development of Women Limited	2002-03
3.	Tamil Nadu Salt Corporation Limited	2002-03
4.	Tamil Nadu Electricity Board	2002-03

In addition, the net impact of the important audit observations as a result of the review of the remaining PSUs were as follows:

Sl. No.	Details	Number of accounts			Rupees in crore		
		Government companies		Statutory corpora-tions	Government companies		Statutory corpora-tions
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	2	---	1	1.54	---	4.24
(ii)	Increase in loss	1	---	---	4.58	---	---

Errors and omissions noticed in case of Government companies

1.23 Some major errors/omissions in case of Government companies noticed during review of accounts are given below:

Sl. No	Name of the Company	Year of accounts	Errors/omissions	Amount (Rupees in crore)
1.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2003-04	Under statement of contingent liabilities	5.94
2.	Tamil Nadu Backward Classes Economic Development Corporation Limited	2002-03	Under statement of interest payment	1.15
3.	Tamil Nadu Small Industries Development Corporation Limited	2002-03	Non-provision for doubtful debts	1.07
			Excess accounting of receivables	1.64
4.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	2001-02	Non-provision for doubtful recoveries	1.05
			Non-provision for expenses	0.84

Errors and omissions noticed in case of Statutory corporation

1.24 Some major errors noticed during review of accounts for 2002-03 of Tamil Nadu Electricity Board are given below:

Sl.No.	Errors/omissions	Amount (Rupees in crore)
1.	Overstatement of surplus due to non-provision of depreciation; non-provision for electricity duty payable to Government	27.49
2.	Overstatement of surplus due to non-analysis of deferred cost	4.59
3.	Understatement of liabilities	75.70

Audit assessment of the working results of Tamil Nadu Electricity Board

1.25 Based on the audit assessment of the working results of the Tamil Nadu Electricity Board for the three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts and not taking into account the subsidy/subventions received/receivable from the State Government, the net surplus/deficit, percentage of return on capital employed, capital invested will be as under:

(Rupees in crore)

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
1.	Net surplus/(-) deficit as per books of accounts	(-)4,851.89	112.57	(-)1,166.42
2.	Subsidy from the State Government	322.50	2,212.14	250.00
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)5,174.39	(-)2,099.57	(-)1,416.42
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	21.61	(-)4.24	N.A
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)5,152.78	(-)2,103.81	N.A
6.	Total return on capital employed	(-)4,610.84	790.30	(-)465.19
7.	Percentage of total return on capital employed	---	8.02	---

Recoveries at the instance of audit

1.26 Test check of records of Tamil Nadu Electricity Board conducted during 2003-04 disclosed wrong fixation of tariff/non-levy/short-levy of tariff/short realisation of revenue or other observations aggregating to

Rs.88.57 crore in 1,123 cases. The Board accepted the observations in 685 cases and Rs.10.15 crore were recovered at the instance of audit.

Internal audit/internal control

1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the Internal control/Internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas, which needed improvement. Directions/sub-directions under the Act, ibid, were issued to the Statutory Auditors in respect of 59 Government companies involving 65 accounts between October 2003 and September 2004. In pursuance of directions so issued, reports of Statutory Auditors involving 55 accounts of 49 Government companies were received (September 2004).

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in respect of State Government companies are indicated in the **Annexure-7.**

Recommendations for closure of PSUs

1.28 Even after completion of 19 to 27 years of their existence, the turnover of three Government companies (serial numbers A-4, 11, and 52 of **Annexure-2**) has been less than Rupees five crore in each of the preceding six years as per latest finalised accounts. One company (serial number A-11 of **Annexure-2**) had been incurring losses for four consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above three Government companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.29 The following table indicates the details regarding number of reviews

and paragraphs pending discussion at the end of 31 March 2004:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	24	1	---
1996-97	5	24	1	---
1997-98	5	20	5	15
1998-99	6	23	6	19
1999-2000	4	24	4	21
2000-01	4	21	4	19
2001-02	3	29	3	23
2002-03	2	27	2	27

619-B companies

1.30 There were three companies coming under Section 619-B of the Companies Act, 1956. **Annexure-8** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

CHAPTER-II

2 REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 TAMIL NADU TEA PLANTATION CORPORATION LIMITED

HIGHLIGHTS

Tamil Nadu Tea Plantation Corporation Limited was incorporated in August 1975 to rehabilitate repatriate families from Sri Lanka. The Company has developed tea plantations covering 4,431.92 hectare in four phases up to 1995. The present activity of the Company is confined to raising of tea in already developed areas.

(Paragraphs 2.1.1 and 2.1.2)

Shortfall in Green Tea Leaves yield compared to the budgeted yield resulted in loss of contribution of Rs.15.98 crore during the five years ended 31 March 2004.

(Paragraph 2.1.8)

Green Tea Leaves yield in the Company was lower than that in private tea estates resulting in loss of contribution of Rs.17.97 crore during 1999-2004.

(Paragraph 2.1.11)

Setting up a new factory at a cost of Rs.7.59 crore instead of expanding the capacity of an existing factory at a cost of Rupee one crore, was not justified.

(Paragraph 2.1.15)

Non-achievement of district average price in the auction sale by the Company resulted in revenue loss of Rs.12 crore during the five years ended 31 March 2004.

(Paragraph 2.1.19)

Introduction

2.1.1 The Government of Tamil Nadu started a Government Tea Project in 1968 through the Forest Department to implement the Shastri-Sirimavo Agreement of 1964 for rehabilitating some of the repatriate families from Sri Lanka. In order to achieve efficiency in administration, better return from investment and also to avail of institutional finance, the Government Tea Project was entrusted to a newly formed Government company, *i.e.*, Tamil Nadu Tea Plantation Corporation Limited. The Company was incorporated on 22 August 1975 and commenced its operation with effect from 1 April 1976. The Company is under the administrative control of Department of Environment and Forests.

The Company absorbed 2,445 repatriate families from Sri Lanka so far (March 2004) as against the target of 2,825 families. The absorption of less number of families (in Phase-III tea divisions) was stated to be due to absence of organised repatriation from Sri Lanka. The tea plantations were developed in four phases between 1969 and 1995 covering an area of 4,431.92 hectare. The Company has 11* tea divisions and eight+ tea factories as on 31 March 2004.

Objectives

2.1.2 The main objective as envisaged in the Memorandum of Association of the Company are:

- To acquire, purchase and take over tea and coffee estates that are offered for sale from time to time;
- To promote, purchase, lease or develop tea and coffee estates in Tamil Nadu after being fully satisfied about their economic viability with a view to safeguard the future of tea and coffee industry; to protect the interest of workers and to increase employment potential;
- To carry on the business of planters, cultivators, sellers and dealers in tea and coffee and other commercial crops.

The present activity of the Company is confined to raising of tea in the already developed areas. The Company had not acquired coffee estates as envisaged at the time of formation of the Company so far (September 2004).

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* Coonoor, Kotagiri, Cherambady, Cherangode, Nelliyalam, Kolapalli, Devala, Pandiar, Lawson, Ryan, and Naduvattam.

\+ Quinshola, Tigerhill, Cherangode, Cherambady, Pandiar, Nelliyalam, Lawson and Ryan.

Scope of Audit

2.1.3 The working of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1982-83. The review was discussed (January 1990) by the Committee on Public Undertakings in their 18th Report of 1989-90.

The present review was conducted by test checking records for the five years from 1999-2000 to 2003-04 in all the tea divisions, tea factories and Head Office of the Company during September 2003 to March 2004.

Audit findings, as a result of test check, were reported to the Government/Company in April 2004, with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that the view point of Government/Management was taken into account before finalising the review. The meeting of ARCPSE, held on 19 May 2004, was attended by the Chairman-cum-Managing Director of the Company. No representative from the Government side attended the meeting. The replies of the Government were, however, received in September 2004. The views expressed by the members have been taken into consideration during finalisation of the review.

Organisational set-up

2.1.4 The Management of the Company is vested in a Board of Directors. As against the maximum strength of 10 Directors including the Chairman-cum-Managing Director, there were eight Directors on the Board, as of 31 March 2004, all nominated by the State Government. The Chairman-cum-Managing Director (in charge) is the Chief Executive of the Company and is assisted by the General Manager and Divisional Managers, who are heading the tea divisions and tea factories.

Financial position and working results

2.1.5 The financial position and working results of the Company for the last five years ended 31 March 2004 are given in **Annexures-9** and **10**. Some of the key data are shown in the following table:

Sl.No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Tea sold (in lakh kg)	111.16	97.64	109.60	105.48	108.77
2.	Average cost of production (Rupees/kg)	54.09	54.16	50.67	45.62	42.64
3.	Average realisation per kg of tea (Rupees/kg)	54.31	47.59	44.42	41.97	38.22

The Company incurred loss of Rs.9.10 crore during 2000-04 due to higher cost of production.

It could be seen from the table and the **Annexures** referred to in the paragraph that the cost of production per kilogram of tea was higher than its average realisation price during 2000-04. This resulted in losses aggregating Rs.9.10 crore during 2000-04.

Area under plantation and lease rent

2.1.6 The Company had taken land on lease from the Forest Department of State Government for raising tea plantation. The details of land taken on lease are as under:

(Area in hectare)

Phase	Divisions	Total area acquired	Area under plantation	Total number of fields	Area lying vacant for plantation	Reason for not planting
I (1969-79)	Cherambady	402.06	344.79	36	57.27*	*Rock patches, roads, swamp, residential and factory buildings, *etc.*
	Cherangode	444.04	381.85	36	62.19*	
	Nelliyalam	393.34	360.22	31	33.12*	
	Coonoor	254.54	205.74	34	48.80*	
	Kotagiri	238.89	218.44	34	20.45*	
	Kolapalli	347.70	347.70	32	NIL	
II & III (1979-84)	Devala	300.00	300.00**	32	NIL	**Includes 4.05 hectare in respect of which suit is pending before the Court.
	Pandiar	777.20	619.68	60	157.52*	
IV (1990-95)	Naduvattam	696.24	568.00	70	128.24*	***Surplus area to be surrendered to the Government due to ban on felling of trees imposed (August 1994) by it.
	Anamalais (Lawson, Ryan)	2,642.51	1,085.50	114	1,557.01***	
	TOTAL	**6,496.52**	**4,431.92**	**479**	**2,064.60**	

It would be seen from the above that 68.2 *per cent* of the total area acquired was under tea plantation. The unplanted area of 1,557.01 hectare in Phase IV is yet to be surrendered to the Forest Department though the Company knew that further planting was not possible due to ban imposed by the Government in August 1994. The inordinate delay in surrendering the surplus land resulted in avoidable expenditure of Rs.14.01 lakh on lease rent for 1995-2004. The Company stated (May 2004) that the matter was pending with the Government and it would follow-up the matter.

2.1.7 The annual lease rent was payable by the Company in one lumpsum before the end of the financial year and the Company was liable to pay interest

for belated payments. On review of the lease rent records, Audit observed the following:

- While the Company had entered into 99 years lease agreement with the State Government for Phase-I, II and III, no such agreement was entered into for Phase-IV.
- The Company had calculated the lease amount payable as Rs.31.37 crore for 1990-2004 in respect of Phase I to IV as against the Forest Department claim of Rs.14.04 crore for the same period. A Committee was formed (August 2002) to reconcile the differences and its final report was awaited (September 2004).
- The Company paid Rs.29.42 lakh towards land revenue for the lands taken on lease from the nine tea divisions though these lands were owned by the Government and the Company was only a lessee.
- The Company did not pay the lease rent for Phase-IV on the stipulated dates and consequently Forest Department claimed Rs.13.51 crore as interest for belated/non-payment of lease rent.
- The Company has shown an amount of Rs.9.81 crore as remittance to the Forest Department towards lease rent for 1999-2000 for Phase-IV, but an amount of Rs.6.62 crore only has been shown as receipt by the Forest Department in their books for the same period, resulting in a difference of Rs.3.19 crore. The Government stated (September 2004) that the matter had been taken up with the Forest Department for reconciliation of the difference.

Plantation activities

Shortfall in Green Tea Leaves (GTL) yield

2.1.8 The division wise budgeted yield of GTL *vis-a-vis* actual yield and resultant shortfall during the five years ended 31 March 2004 are given in **Annexure-11**. No norms had been fixed by the Company for per hectare yield to be achieved annually by the tea divisions. Though the budgeted yield had been fixed considering the factors like field potential, previous year yield, age of the plant, pruning and weather conditions, the actual yield achieved was less than the budgeted yield:

- in all the five years in six divisions *viz*., Coonoor, Kotagiri, Cherangode, Nelliyalam, Devala and Pandiar.
- in four years in three divisions *viz*., Cherambady, Kolapally and Lawson.
- in three years in two divisions *viz*., Ryan and Naduvattam.

Non-achievement of budgeted GTL yield resulted in loss of contribution of Rs.15.98 crore.

The short fall in GTL yield ranged between 1.46 lakh kg and 17.01 lakh kg compared to the budgeted yield during the period under review. The total loss of yield due to non-achievement of budgeted yield was 218.04 lakh kg of GTL equivalent to 50.15 lakh kg of tea. This resulted in loss of contribution* of

* contribution represents difference between sale value and direct variable cost of production.

Rs.15.98 crore during the five years ended 31 March 2004. The Government stated (September 2004) that the rainfall distribution during 1999-2000 was favourable compared to the subsequent three years and admitted that the application of inputs was not optimum during the subsequent three years and hence the yield obtained was less.

The avoidable reasons for shortfall in GTL yield are discussed in the succeeding paragraphs:

Fertiliser application

2.1.9 The Company reduced the quantum of fertiliser to be applied from 2000-01 due to financial constraints and non-availability of labour. The reduced quantities were applied to the fields in two/three times against the normal application of four times. The Government stated (September 2004) that when the sale price of tea was much lower than the cost of production, it was a recommended practice to reduce the inputs by 10 to 15 *per cent*. The reply is not tenable as the fall in GTL yield would be more if the application of inputs is reduced continuously. Further, the expenditure on cost of inputs would have been much lower than the contribution that would accrue to the Company by way of increase in GTL yield.

Less yield obtained in third year pruned fields

2.1.10 The operation of cutting the branches of tea bush at a pre-determined height at a specified interval is known as pruning. This activity is being carried out with the main objective to induce more vegetative growth, to achieve better crop distribution, minimise banji♦ formation and maintain convenient height for plucking, *etc.*,

In a four years pruning cycle, the yield obtained from the third year after pruning would be more by approx 10 to 20 *per cent* compared to the second year yield. Audit analysis of GTL yield of 1999 and 2000 pruned fields revealed that instead of achieving 10 to 20 *per cent* more yield in the third year compared to the second year, the yield was less by one to 23 *per cent* corresponding to GTL loss of 10.70 lakh kg equivalent to 2.46 lakh kg of tea*. This resulted in loss of contribution of Rs.80.15 lakh to the Company. The Government stated (September 2004) that the yield loss in the third year was mainly due to unfavourable climatic conditions. The reply is not tenable, as unfavourable climate should have affected all the fields in a division. Audit, however, observed that out of 37 fields pruned in 1999-2000 in Cherangode and Lawson tea divisions, 13 fields had registered an increase in GTL yield in the third year by 2.06 lakh kg, while in the remaining fields, the GTL yield in the third year decreased by 3.67 lakh kg.

♦ Dormant terminal bud.

* One kg of Green Tea leaves give 0.23 kg of tea.

Poor per hectare yield of GTL compared to private tea estates

2.1.11 The average yield of GTL per hectare of the tea divisions of the Company was less compared to private tea estates situated in the same areas. The table below indicates the actual average yield per hectare obtained in the tea divisions of the Company *vis-a-vis* yield obtained in private tea estates during 1999-2004.

(In kg/per hectare)

Year	Average yield obtained per hectare				Shortfall with reference to private tea estates			
	TANTEA Tea Divisions		Private Tea Estates		Plateau Region		Wynaad Region	
	Coonoor and Kothagiri (Plateau region)	Cherambady, Cherangode, Nelliyalam, Kolapalli, Pandiar and Devala (Wynaad region)	Plateau region	Wynaad region.	Kg	Percentage	Kg	Percentage
1999-2000	13,369	13,146	15,161	15,521	1,792	11.82	2,375	15.30
2000-01	13,327	11,149	13,661	13,443	334	2.44	2,294	17.06
2001-02	12,816	11,989	14,204	13,857	1,388	9.77	1,868	13.48
2002-03	11,810	12,453	13,666	13,309	1,856	13.58	856	6.43
2003-04	13,273	11,471	14,708	11,602	1,435	9.76	131	1.13

Lower GTL yield compared to private estates resulted in loss of contribution of Rs.17.97 crore.

It could be seen from the above that the average yield per hectare obtained in the Company was on the lower side when compared with the average yield per hectare in the private tea estates. The shortfall ranged between 1.13 to 17.06 *per cent* of private tea estates yield. Consequently there was shortfall in GTL yield by 212.05 lakh kg equivalent to 48.77 lakh kg of tea resulting in loss of contribution* of Rs.17.97 crore during this period. Even from the fresh data on district average GTL yield in private tea estates furnished (May 2004) by the Company, Audit observed that the yield in Wynaad region was much less than the district average yield and that there was shortfall in GTL yield by 78.76 lakh kg corresponding to 18.11 lakh kg of tea and consequent contribution loss of Rs.7.01 crore during 1999-2002.

The Government stated (September 2004) that the yield from a given tea estate was influenced by agro climatic conditions and as such there would be difference in the yield. It also stated that the yield in private estates pointed out were that of highest yielding estates in the districts and added that several private estates registered lower yield compared to its estates. The reply is not tenable, as yield from the same region had been compared to arrive at the shortfall. Further; the main reasons for shortfall in Company tea divisions

* Difference in yield X Area under plantation X 0.23 X Contribution per Kg of made tea.

were lesser application of fertilisers, insufficient pruning, *etc.*, as stated in paragraphs 2.1.9 and 2.1.10 *infra.*

Non-maintenance of leaf standard

2.1.12 The Company fixed percentage of good leaf for manufacturing "Crush, Tear, Curl" (CTC) tea in Non-Reconditioned (NRC) process at 80 *per cent*. Nelliyalam tea factory, which manufactures CTC tea in NRC process, gets the tea leaves from Nelliyalam, Cherambady, Cherangode, Kolapalli, Devala, Pandiar and Naduvattam tea divisons. Due to non maintenance of 80 *per cent* leaf standard in these tea divisions, Nelliyalam tea factory could not produce better quality tea. This resulted in quality deterioration and consequent lower price realisation on tea produced and a loss of Rs.1.90 crore during 2001-04 (computed with reference to per kilogram realisation price of tea and the cost price of this factory).

The Government stated (September 2004) that the sudden insistence on very high quality of tea leaf affected the morale of pluckers and improvement was being adopted for getting the required quality of tea leaves in the recent years. It also stated (September 2004) that the leaf standard could not be maintained during high cropping seasons. The reply is not tenable in view of the fact that during high cropping seasons, the Company should have also equally concentrated on quality of GTL plucked to get remunerative prices.

Performance of tea factories

Capacity utilisation

2.1.13 One of the objective stated in the Memorandum of Association was to manufacture, sell and deal in tea and coffee in all its forms. In accordance with this objective, the Company set up eight tea factories at various locations. There are two manufacturing processes, *viz.*, "Orthodox" tea manufactured in the traditional method where tea is in small twigs form and CTC tea manufactured in the modern method, where the machine crushes, tears and curls the GTL and the tea is made in granular form. Orthodox tea commands higher average sales realisation price compared to CTC tea.

There are two orthodox tea factories at Coonoor (Tigerhill) and Kotagiri (Quinshola) with a combined capacity of 1.5 million kg *per annum* and six CTC tea factories at Cherangode, Cherambady, Pandiar, Nelliyalam, Lawson and Ryan with a combined capacity of 10.5 million kg *per annum*. The Company produced 105.55 lakh kg of tea out of 1,248.68 lakh kg produced in the State of Tamil Nadu in 2003-04. As against the global output ratio of 23:77 of Orthodox/CTC tea and all India output ratio of 11:89, the ratio in the Company was 18:82. A review of the capacity utilisation in the eight factories as detailed in **Annexure-12** revealed that four factories♦ achieved excess production ranging from 0.07 lakh kg to 4.58 lakh kg *per annum* over and above the achievable capacity and in the other four factories♣ there was a short

♦ Tiger hill, Quinshola, Nelliyalam and Pandiar.
♣ Cherangode, Cherambady, Lawson and Ryan.

fall in production, which ranged from 0.24 lakh kg to 7.01 lakh kg during the period under review.

Avoidable loss in dual processing

2.1.14 The Company proposed (March 2000) to start dual manufacture (*i.e.*, simultaneous manufacture of Orthodox and CTC tea) in the Pandiar Tea Factory with a modification in the civil works and installation of machinery at an estimated cost of Rs.27.89 lakh to reap benefit of the existing price situation, where Orthodox tea was fetching better price than CTC tea. The Company estimated a saving of more than Rs.15 lakh by re-utilisation of one CTC line along with the accessories lying idle in some other factories. It was also estimated that with a minimum production of 7.5 lakh kg of Orthodox tea *per annum,* the additional revenue of Rs.37.50 lakh (based on minimum price difference of Rupees five per kg) would accrue.

The Company commenced dual processing in April 2001 after spending Rs.34.96 lakh (civil works - Rs.8.03 lakh and machinery - Rs.26.93 lakh). The factory experienced the following difficulties while carrying out dual processing:

- The supervision of both kinds of manufacturing appeared to be very difficult as the two types of manufacturing required entirely different kind of parameters at each stage right from the stage of withering to packing;
- The out turn of primary grade was less due to the problems faced in getting right kind of withering, inability of the tea making staff to concentrate on particular manufacture, *etc;* and
- Absence of proper type of pulverise machine resulted in half of tea from orthodox secondary to be used as reconditioned material.

The dual process was, therefore, discontinued from March 2002. As a result, Company suffered the losses on the installation and removal of dual processing:

- Special flooring laid for a value of Rs.8.03 lakh could not be used after dispensing with the dual system;
- Machinery installed at a cost of Rs.26.93 lakh was dismantled without beneficial use. This machinery could not be utilised in other factories and was sold for Rs.0.23 lakh in December 2003. This resulted in loss of Rs.26.70 lakh; and
- As against anticipated revenue of Rs.4.26 crore by producing 7.5 lakh kg of Orthodox tea in 2001-02, the Company produced and sold 2.54 lakh kg for Rs.1.44 crore only.

The Government stated (September 2004) that the dual processing had its inherent problems. It also stated that loss of CTC market in Kerala, quality of CTC tea and sacrifice in overall processing capacity of CTC tea were the reasons for abandonment. The reasons adduced above should have been considered by the Company before planning the dual processing.

Injudicious decision of setting up a new factory

Setting up a new factory at a cost of Rs.7.59 crore instead of expanding the capacity of an existing factory at a cost of Rupee one crore, was not justified.

2.1.15 The State Government approved (November 1997) the proposal to establish a new tea factory (Ryan Tea Factory) in Anamalai Region at an estimated cost of Rs.6.15 crore. The Company commenced work (March 1999) and completed the same in October 2001 at a total cost of Rs.7.59 crore, with a capacity to produce 1.5 million kg of tea *per annum*.

In the meantime, the Board approved (August 1998) a proposal even before the work on the new factory commenced, for the increase in the installed capacity of the existing Lawson Factory from 1.5 million kg to 2.25 million kg of tea *per annum*, by installing additional machinery at an estimated cost of Rupee one crore. The expanded capacity of Lawson factory was sufficient for processing 9.78 million kg of GTL *per annum;* which was more than sufficient to take care of the then prevailing yield (5.49 million kg *per annum*) of GTL in the region.

The expansion work commenced in December 1999 and up to March 2001, an expenditure of Rs.72.64 lakh was incurred on the project (Rs.32.08 lakh on machinery and Rs.40.56 lakh on civil works). The project was abandoned (March 2001) citing financial constraints as the reason. The machinery was transferred to other tea factories of the Company and the expenditure on civil works (Rs.40.56 lakh) was rendered wasteful.

Audit observed that establishment of the new factory at Ryan at a huge cost of Rs.7.59 crore without completing the cheaper expansion work and that too citing financial reason lacked justification in view of the following:

- The Company projected a GTL yield of 163 lakh kg in 2007-08 based on per hectare yield of 15,000 kg and stated that the capacity of the existing Lawson Tea Factory was 60 lakh kg of GTL only. It is pertinent to mention that in Anamalai Region, GTL yield of 15,000 kg per hectare was never achieved and that the maximum yield per hectare achieved was 9,077 kg only.

- The Company did not undertake cost-benefit analysis of expansion of Lawson Tea Factory *vis-a-vis* setting up a new tea factory. Instead of expanding the capacity by 0.75 million kg of tea by spending Rupees one crore, the Company chose to set up a new factory to produce 1.5 million kg of made tea by spending Rs.7.59 crore.

- The capacity utilization of Lawson Tea Factory which was 129 *per cent* and 116 *per cent* in 1999-2000 and 2000-01, respectively, was drastically reduced after the commissioning of Ryan Tea Factory and dwindled to seven *per cent* and 18 *per cent* in 2002-03 and 2003-04, respectively.

The Government stated (September 2004) that during high cropping season, GTL yield would be considerably high and therefore the factory capacity has to be based on high cropping season. The reply is not tenable as the maximum yield of GTL in a month during the three years ended 31 March 2004 in Anamalai region was in October 2002 *viz.*, 10.34 lakh kg, which corresponds to 41,360 kg per day (for 25 working days) and this yield could have been

easily processed by the existing capacity of the Lawson Tea Factory (30,000 kg per day) plus the expanded capacity (15,000 kg per day). Audit observed that Lawson Tea Factory had processed GTL quantities in excess of 30,000 kg per day (existing capacity) on 87 days in 1999-2000, 39 days in 2000-01 and 49 days in 2001-02.

Marketing and Sales

2.1.16 Sale of tea is subject to statutory provisions envisaged in Tea Marketing Control Order, 1984. As per Clause 17 of Tea Marketing Control Order, every manufacturer is required to sell a minimum of 70 *per cent* of bulk tea in India through the country's public tea auction centres. Auctions are organized under the auspices of Tea Trade Association at each centre. The Government of India amended (January 2001) Clause 17 of Tea Marketing Control Order, 1984 and permitted the tea manufacturers to sell their produce in any manner they desire. Audit observed that even after 28 years of existence, the Company had not built up its own marketing set up and had not laid down marketing policy so as to maximise sales realisation.

Sales performance

2.1.17 The sales performance of the Company during the five years ended 31 March 2004 is given below:

(In lakh kg)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Auction sale	108.08	93.85	100.51	95.19	101.74
Direct sale	0.11	1.06	2.87	6.62	2.41
Packet sale	0.77	1.10	1.55	1.19	1.20
Total sale (including tea waste)	111.16	97.64	109.60	105.48	108.77
Percentage of Auction sale to Total sale	97.23	96.12	91.71	90.24	93.54
Average Auction sale price (Rupees per kg)	54.31	47.59	44.42	41.97	38.22
Average Direct sale price (Rupees per kg)	65.00	65.27	29.77♣	44.63	38.67
Average Packet sale price (Rupees per kg)	95.49	88.80	79.95	77.67	75.26

It could be seen from the above that the Company was mostly depending on auction sales and direct and packet sale was minimum. Short comings/irregularities noticed in Audit are discussed in succeeding paragraphs.

♣ Sale of secondary grade tea only.

Auction sales

2.1.18 The Company sold tea mainly in auction through six brokers, who were entitled to a commission of one *per cent* of net sale value. Audit observed that the Company did not have any control over the brokers and had relied on the brokers to get good prices. It did not have any direct mechanism to obtain maximum price for tea and its officials were not represented during auction sales. Consequently, the Company has been realising prices lower than its cost price. This resulted in loss of Rs.26.46 crore during 1999-2004.

The Government stated (September 2004) that periodical review of the performance of brokers and follow-up action based on the review was enough to improve the prices in auction and that officials of the Company were visiting the auction centre as and when necessary. The reply is not tenable as the lower prices obtained by the Company compared to the prices obtained by private tea factories indicated the inadequate system of monitoring of brokers. Moreover, there has been continuous decline in the average sales realisation in auction sale during the period of review.

Non-achievement of district average price in the auction sale by the Company resulted in revenue loss of Rs.12 crore.

2.1.19 Tea produced by the Company is mainly sold through auction centres at Cochin, Coonoor and Coimbatore. Audit observed that the auction sales price realised was much less compared to the district average price. The less realisation, as compared to district average price, aggregated to Rs.12 crore during five years ended 31 March 2004.

The Government stated (September 2004) that the district average prices were only reference price for the purpose of review and were not comparable due to the fact that most of the private factories offered only minimum quantity of primary grades for auction sales, whereas Company offered maximum quantity both in primary and secondary grades. The contention is not correct as the primary grades despatched by the Company to auction centres ranged between 73.25 and 98 *per cent*. Further, the Company has been evaluating the performance of the brokers and tea divisions based on the district average price.

2.1.20 The average ranking position of the Company in auction sale of tea in the three auction centres (based on the auction sales realisation) was poor and ranged between 10 to 13 out of 28 participants.

2.1.21 As per the rules of the Tea Trade Association, the buyer to whom a lot was sold had to make payment to the brokers and the brokers had to pay to the seller within 15 days. There was no penal clause in the rules against the brokers, who did not remit the sale proceeds to the seller in time. In December 2002, one broker remitted Rs.20.37 lakh only out of sale proceeds of Rs.42.98 lakh realised by him and has not remitted the balance amount till date (September 2004). The Company admitted (November 2003) that the present conditions for auction sale did not have any provision to safeguard the interest of the seller and that the Tea Board has been addressed in this regard.

Direct sale of made tea

2.1.22 Even after relaxation (January 2001) of Tea Marketing Control Order, the Company mostly depended on auction sale. Considering the additional realisation of Rs.0.45 to Rs.17.68 per kg on direct sale, failure of the Company to sell atleast 30 *per cent* of its tea in direct sale resulted in less realisation of Rs.9.35 crore during 1999-2004. The Government stated (September 2004) that the existing financial condition of the Company did not permit huge expenditure on advertisement to increase direct sales. The fact remains that considering the huge financial benefit in open market sale, the Company should have made all out efforts *viz.*, by contacting State and Central Public Sector Undertakings, big private companies, *etc.*, to improve direct sales atleast after relaxation of Tea Control Marketing Order.

Non-promotion of packet tea sales

2.1.23 Sale of packet tea fetches better realisation than auction sale tea. The Company set up an exclusive sales and packaging unit in 1983 at Coonoor to promote sale of packet tea. No production capacity, however, has been fixed so far for this Unit. It has a packing machine that can pack 10 MTs/month (*i.e.*,) 120 MTs/*per annum*. The details of packet tea sales and average sales realisation price per kg up to the year ended 31 March 2004 are given below:

	1999-2000	2000-01	2001-02	2002-03	2003-04
Quantity of tea sold in packet (in kgs.)	77,388	1,10,376	1,54,864	1,18,943	1,20,278
Average sales realisation price of packet tea (in rupees per kg.)	95.49	88.80	79.95	77.67	75.26

It is seen from the above that the packet tea sales commands very high realisation price. Audit observed that the Company has not given full thrust to promote sale of packet tea. The dealer network was not widespread to increase the sale of packet tea. The Company neither has made any effort to create brand image for TANTEA packet sales nor has attempted to diversify to packet tea to a considerable extent on its own or by building brand image or through tie up with other brand leaders for blending and packaging of branded packet tea. Audit observed that though the Company has set up the packaging unit with a capacity to packet 120 MT *per annum*, no action has been taken by it to increase the installed capacity so far (August 2004).

Man Power

2.1.24 The total manpower in the Company, which stood at 7,019 in 1999-2000 decreased to 6,329 in 2003-04. As on 30 September 2004, 4,365 Sri Lankan repatriates were working in various tea divisions of the Company. The State Government directed (May 2002) the Company to identify the surplus posts in all categories. Consequently the Company identified

(September 2002) 115 employees as surplus and only three employees were relieved so far out of 36 applications received under Voluntary Retirement Scheme (VRS). The Company is still retaining 112 surplus employees. Even among the 36 VRS applications received, the Company decided (January 2003) to accept applications of only those employees in whose cases the percentage of compensation and terminal benefits payable to net present value of future salary plus terminal benefits was equal to or less than 50 *per cent*. Audit observed that in respect of 25 employees, where net present value of future salary plus terminal benefits was more than the compensation and terminal benefits payable now were not considered for relief under VRS. Failure to do so resulted in avoidable extra expenditure of Rs.39.12 lakh.

Internal Audit

2.1.25 The Company is having its own Internal Audit wing consisting of three members. This audit wing is reporting to the Chief Executive through Chief Accounts Officer, who is in charge of the Internal Audit wing. Since, the Internal Audit wing is a separate function required to work independent of accounts, the reporting through Chief Accounts Officer is not as per the established convention. The Internal Audit did not cover vital areas like procurement of materials, marketing, administration, *etc.* though the manual provided for the same. The inspection reports of the Internal Audit were not presented to the Board and discussed till January 2003, when Audit Committee was formed. The inspection reports submitted to the Audit Committee did not cover the areas like performance of the Tea Divisions/factories, other related Company operations and instead gave data to the Board as required by the Government in the questionnaire form. Thus, even after formation of the Audit Committee, no points specifically relating to the main activity of the Company were discussed. As on 31 March 2004, a total of 171 paragraphs were outstanding for periods ranging from one to 23 years.

Conclusion

The key problem area of the Company is its inability to get good price for tea. Despite 28 years of existence, its dependence on auction sales resulted in realisation of substantially low prices for tea. This has resulted in huge losses during the last four years as the fall in tea prices was much higher compared to reduction in production expenses. In order to overcome this deficiency, the Company should take immediate and effective steps to reduce its over dependence on auction sales and to improve direct sales and sale of packet tea in the liberalised tea marketing scenario. This would enable the Company not only to wipe out its losses but also earn sufficient profits in future.

2.2 TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LIMITED

HIGHLIGHTS

Tamil Nadu Industrial Investment Corporation Limited was incorporated in March 1949 with a view to aid/provide financial assistance to industrial units. The Company also disbursed State capital subsidy/subsidy bridge loan to the industrial units and issued eligibility certificate under Sales Tax waiver/deferral schemes to the units assisted by it.

(Paragraph 2.2.1)

Accumulated losses of Rs.328.85 crore as on 31 March 2004 completely eroded the paid up capital.

(Paragraph 2.2.6)

Deficiencies in the appraisal of projects resulted in non-recovery of Rs.67.42 crore from 18 units as on 31 March 2004.

(Paragraph 2.2.11)

Faulty implementation and poor follow-up not only resulted in non-recovery of Rs.62.20 crore but also did not serve the intended purpose of Mudalipalayam scheme.

(Paragraph 2.2.12)

Deficiencies in follow-up of overdues resulted in non-recovery of Rs.34.21 crore from six units.

(Paragraph 2.2.15)

Target fixed for recovery of principal steeply declined from 72.60 per cent in 1999-2000 to 42.27 per cent of the dues in 2002-03 and marginally increased to 47.24 in 2003-04. Target for recovery of interest was at a all time low of 18.71 per cent of dues in 2003-04.

(Paragraph 2.2.21)

Introduction

2.2.1 Tamil Nadu Industrial Investment Corporation Limited (TIIC) was incorporated (March 1949) under the Companies Act, 1956 with a view to aid/provide financial assistance to medium and small scale industries and to extend financial assistance by way of direct participation in the equity of the assisted units. The Company also disbursed State capital subsidy/subsidy bridge loan to the industrial units and issued eligibility certificate under Sales Tax waiver/deferral schemes to the units assisted by it. The Company had introduced bills discounting scheme from 2003-04 for the purchases made by Tamil Nadu Electricity Board (TNEB).

Objectives

2.2.2 The following are the main objective, as envisaged in the Memorandum of Association of the Company:

(i) To render financial assistance by way of loans, guarantees, under writing subscriptions to shares, debentures or other securities to an industrial concern situated in the State.

(ii) To carry out business of equipment leasing and hire purchase financing to industrial concerns.

(iii) To set up, provide and/or participate in providing venture capital, technology funds or any other funds for seed capital.

(iv) To underwrite issue of stock, shares, bonds or debentures by industrial concerns.

(v) To take over and manage, administer and generally control any firm, concern or limited company which had defaulted or contravened any of the conditions agreed by it at the time of sanction of loan and subsequently or otherwise.

The activities of the Company are presently confined to the first three objectives.

Scope of Audit

2.2.3 The recovery performance of the Company for the period up to 31 March 1988 was reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) 1989 - Government of Tamil Nadu. Committee on Public Undertakings (COPU) discussed (November 1990) the review and the recommendations of the COPU are contained in its 21st Report presented to the State Legislature in October 1991. A draft paragraph (4A.4) on irregular sanction of leasing/hire purchase loans was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) – Government of Tamil Nadu. This is yet to be discussed by COPU.

The present review conducted from November 2003 to March 2004 covered the overall sanction and disbursement, the efficiency level achieved by the Company in monitoring the functioning of assisted units, recovery performance of loans for the five years ended 31 March 2004, by test checking records in 15 out of 33 branches, and at the Head Office of the Company.

Audit findings, as a result of test checks, were reported to the Government/Company in May 2004 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE), so that the view point of Government/Management was taken into account before finalising the review. The meeting of ARCPSE held on 2 June 2004, was attend by the Secretary, Industries Department and the Managing Director of the Company. The replies of the management were received in August 2004. The views expressed by the members have been taken into consideration during finalisation of the review.

Organisational set-up

2.2.4 The management of the affairs and business of the Company is vested in a Board of Directors. The Articles of Association of the Company provide for a maximum of 15 Directors including the Chairman and the Managing Director. The present Board of the Company is having eight Directors comprising the Chairman, Managing Director, four part-time Directors appointed by the State Government and two Directors, appointed by Small Industries Development Bank of India (SIDBI). The Managing Director looks after the day-to-day affairs of the Company and is assisted by General Managers/Deputy General Managers.

Financial position and working results

Capital structure and borrowings

2.2.5 The authorised share capital of the Company was Rs.100 crore. The paid up capital, as on 31 March 2004, was Rs.72.50 crore; contributed by the State Government (Rs.55.02 crore), Industrial Development Bank of India (IDBI) {Rs.17 crore} and other institutions (Rs.0.48 crore).

The Company was granted (between December 1984 and March 2000) loan of Rs.103.50 crore in lieu of capital (Rs.91 crore from State Government and Rs.12.50 crore from IDBI) at the interest rate varying from 7.5 *per cent* to 15 *per cent*. The State Government converted (May 2003) Rs.30 crore out of loan in lieu of capital as share capital.

The other borrowings of the Company as on 31 March 2004 were refinance from IDBI/SIDBI (Rs.164.25 crore), issue of bonds and raising of deposits (Rs.483.85 crore).

Financial position

2.2.6 The financial position of the Company for the five years ended 31 March 2004 are given in **Annexure-13**.

From the Annexure, it could be observed that:

Accumulated loss of Rs.328.85 crore as on 31 March 2004 completely eroded the paid-up capital.

- The networth of the Company was negative during the five years ended 31 March 2004.
- The accumulated losses of Rs.328.85 crore as on 31 March 2004 had eroded the entire paid up capital.
- Loans and advances include Rs.10 crore paid (April 2003) as loan to Tamil Nadu Telecommunications Limited, a deemed Government company without any security. The loan was repayable in three monthly instalments from March to May 2004. Post dated cheques given by the loanee for repayment of principal are yet to be honoured (September 2004).

Working results

2.2.7 The working results of the Company for the five years ended 31 March 2004 are given in **Annexure-14**.

From the Annexure, it could be observed that:

- The interest income on term loan, which was Rs.135.61 crore in 1999-2000 decreased to Rs.98.48 crore in 2003-04. This was due to inadequate follow up of loans disbursed. This also resulted in cash loss during these years.
- During 2001-03, the Company made provision of Rs.100.98 crore for non-performing assets. Prior to this, the Company did not route provisions through profit and loss account. Had such provisioning been considered in the Profit and Loss account, the reported profit of Rs.32 lakh and Rs.56 lakh during 1999-2000 and 2000-01 would stand converted into loss of Rs.33.69 crore and Rs.28.80 crore respectively.

Sources and utilisation

2.2.8 The sources of finance and their utilisation for the five years ended 31 March 2004 are given in **Annexure-15**.

From the Annexure, it could be seen that disbursement of loans as a percentage of recovery, which was 58 *per cent* in 1999-2000, declined thereafter (except in 2001-02) indicating that the major portion of the recoveries were utilised to repay the borrowings of the Company rather than ploughing back. The plough back, as a percentage of the recoveries, was between 16.21 to 20.56 *per cent* during 1999-2002. The Company could not plough back any amount from the recoveries made by it during 2002-04. This was due to the fact that the Company was under obligation to pay back its borrowings.

Sanction and disbursement of loans

Procedure for financial assistance

2.2.9 The Company provides financial assistance for setting up of new industrial units as well as for expansion, diversification and modernisation of existing units. Besides, the Company extends loans for transport sector such as auto, taxi, passenger vehicles, rigs, truck, *etc*. The financial assistance is extended to the beneficiaries on receipt of application with detailed project reports. The Company conducts technical and financial appraisals in order to assess the economic viability of the projects. Loans up to Rs.25 lakh (increased to Rs.30 lakh in September 2002) are sanctioned by Branch Sanction Committee, loans over Rs.30 lakh and up to Rs.1.50 crore are sanctioned by Executive Committee and loans above Rs.1.50 crore are sanctioned by the Board of Directors. Loan is disbursed after verifying the genuineness and adequacy of securities provided by the borrower.

In order to reduce its over dependence on the borrowed fund and to improve its recovery performance, the Company was required to adhere to the laid down procedure in respect of sanction, disbursement, post disbursement follow-up, *etc*. In test check of records, it was noticed that the loans were sanctioned by the Company though its appraisal notes pointed out various adverse factors against the proposed schemes/projects such as recession in the industry, stiff competition in marketing of the product and various risks involved in implementation of projects. The disbursement of loan was made without adhering to the general terms and conditions of sanction *viz.*, ensuring availability of working capital from the banks, conducting proper inspection of unit, *etc*., as discussed in succeeding paragraphs.

Sanction and disbursement of loan

2.2.10 The details of applications for loan received, sanction and disbursement of term loans made during the last five years ended 31 March 2004 are given in **Annexure-16**. It could be seen from the annexure that the Company sanctioned and disbursed loans of Rs.1,102.09 crore and Rs.827.46 crore respectively during the five years up to 31 March 2004. The number of applications received for loan decreased from 3,315 in 1999-2000 to 1,974 in 2003-04. Audit analysis revealed that one of the main reasons for dwindling number of applications was the higher interest rate charged by the Company compared to the market rate. As the Company depended mainly on refinance, it was not in a position to take effective decision on lowering of interest rates.

Deficiencies in appraisal, sanction and disbursement of loan are discussed in succeeding paragraphs.

Deficiencies in the appraisal of projects resulted in non-recovery of Rs.67.42 crore from 18 units.

2.2.11 A test check in Audit revealed that due to deficiencies in appraisal of projects, an amount of Rs.67.42 crore was outstanding (March 2004) against 18 units as detailed in **Annexure-17**.

Major deficiencies noticed in appraisal, sanction and disbursement of loan assistance to projects were as follows:

- Non-evaluation of viability of projects independently.
- Non-verification of export tie-up.
- Disbursement to known and chronic defaulters.
- Failure to ensure tie-up for entire working capital requirement of the project.
- Disbursement of assistance to promoters, who had no experience in the relevant industry.
- Assisting projects, when already assisted similar projects were not functioning satisfactorily and were in default.

Disbursements under Mudalipalayam scheme

2.2.12 The Government of Tamil Nadu (State Government) had decided in July 1992 to set up industrial estate at Mudalipalayam, Coimbatore District for the welfare of Scheduled Castes and Scheduled Tribes. The State Government selected (between July and December 1995) 100 beneficiaries from the list given by a Committee constituted for the purpose. The Company received (1996) 80 applications out of the 100, selected by the State Government and sanctioned term loan to 78 beneficiaries. After sanction of loans, the same were not availed of by the beneficiaries immediately due to various reasons like revision of project cost, means of finance, change of machinery, *etc*. An amount of Rs.34.62 crore was disbursed between April 1998 and February 2001, against the sanctioned amount of Rs.35.92 crore to 54 beneficiaries only. The overdues as on 31 March 2004 were Rs.62.20 crore (principal: Rs.19.92 crore, interest: Rs.42.15 crore and others: Rs.0.13 crore).

A review of the scheme revealed the following:

Faulty implementation and poor follow-up not only resulted in non-recovery of Rs.62.20 crore but also did not serve the intended purpose.

- None of the 54 units paid even a single instalment of principal due up to 31 March 2004. In respect of interest, against demand of Rs.46.07 crore till 31 March 2004, Rs.3.92 crore only were paid.
- Twenty two units (loan disbursed:Rs13.63 crore) were closed/defunct/not performing well due to inexperience of the promoters in the knitting industry.
- Eighteen units (loan disbursed:Rs.12.03 crore) were held by benamies.
- There was over invoicing of imported machinery in seven cases (loan disbursed: Rs.4.64 crore).
- The Company appointed (January 1999) Industrial and Technical Consultancy Organisation of Tamil Nadu (ITCOT) to study the scheme. ITCOT in its report stated (February 1999) that the knitwear industry was facing severe competition from other Asian countries. It also stated that there was over capacity in the industry and addition of more units would adversely affect the performance of new units. The Company went ahead with the scheme and disbursed the loan of Rs.7.66 crore to 12 beneficiaries even after receipt of the report.

- The field officer of the Company gave unfavourable/adverse remarks (December 1996) on the implementation of scheme. The beneficiaries also informed (November 1996) the Company about the unviability of the scheme due to presence of large number of similar units at one point. But the Company did not act on the suggestion and disbursed the loans.

Thus, faulty implementation and poor follow up by the Company not only led to recovery of Rs.62.20 crore being doubtful but also did not serve the intended purpose.

Follow up of dues

2.2.13 The follow up of dues is continuous in nature and ceases only with discharging of loan accounts. Monitoring during implementation of a project ensures proper documentation, disbursement of loan and progress of construction, bringing in promoters capital and timely implementation of the project. Regular and periodical inspections of units help in this process.

Follow up after implementation is ensured by inspecting periodically units under control to ensure the working of the units and also verification of securities offered to the institution; ensuring periodical recovery of interest dues and principal instalments as per schedule; and nominating a Director on the Board of the assisted units.

Audit observed that periodical inspection of assisted units was not carried out regularly to assess their performances. In the absence of regular receipt of annual accounts/report and their critical scrutiny, the Company could not identify the symptoms of sickness at the initial stage for taking remedial measures. The position of inspections carried out in the assisted units of the Company as a whole was not furnished to Audit. Therefore, overall inspection position could not be verified.

2.2.14 The table below indicates the details of post sanction inspection of the assisted units due and actually conducted in respect of six out of 15 branches selected for review during the five years up to 31 March 2004:

Sl.No.		1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Total number of units to be inspected	6,302	5,753	5,623	4,623	3,188
2.	Total number of units inspected	4,140	4,438	3,738	3,632	2,117
3.	Total number of units not inspected	2,162	1,315	1,885	991	1,071
4.	Percentage of units not inspected to total number of units	34.3	22.8	33.5	21.4	33.6

It could be seen that the number of units not inspected ranged between 21.4 to 34.3 *per cent*. The shortfall was stated to be mainly due to the shortage of staff.

The SIDBI in its evaluation report for the year 2001 also highlighted the lapses in follow-up of dues and observed that on an average, the Loan Administrative Officer (LAO) was entrusted with 100-130 cases for follow up; the visit reports were sketchy and did not contain enough details relating to capacity utilisation, sales, *etc*; Company had no system of obtaining periodical progress report to assess the performance of units.

Deficiencies in follow-up of dues

Deficiencies in follow-up of overdues resulted in non-recovery of Rs.34.21 crore from six units.

2.2.15 A test check in Audit revealed that due to deficiencies in follow up of loans extended, an amount of Rs.34.21 crore was outstanding (March 2004) against six units as detailed in the **Annexure-17**.

Besides, some of the cases involving serious lapses in follow up are discussed below:

2.2.16 The Company sanctioned (March 1996) a term loan of Rs.2.50 crore to Goverdhan Spinning Mills Limited for purchase of land, construction of building and purchase and erection of machinery for production of cotton yarn. Rupees 2.49 crore were disbursed between July 1997 and June 1998. The loan was repayable in 28 quarterly instalments after two years moratorium. The unit commenced production in March 1998. It was, however, irregular in repayment of dues to the Company. From the records made available to Audit, it is not clear, whether the unit was inspected regularly. From the records, it is also not clear whether the annual accounts of the units were received regularly and analysed. The Company foreclosed the accounts (February 2000) and decided to take over the possession of unit from March 2000. The unit paid (March 2000) Rupees two lakh against overdues of Rs.1.18 crore and committed to pay Rupees five lakh per month from August 2000. Audit observed that LAO, while inspecting (July 2000) the unit stated that the unit was running continuously for three shifts and was not paying dues wilfully. The Company, however, did not take any action. The Company issued foreclosure notice again in January 2001. The unit remitted Rs.18 lakh as against overdues of Rs.2.22 crore and the Company withdrew the foreclosure notice. The unit again defaulted in repayment and approached BIFR (September 2001), seeking reliefs/concessions. BIFR is yet to give its verdict (August 2004).

The Company inspected and analysed the previous years' accounts of the unit in October 2003 and found that the unit has been under invoicing the sales. The unit created additional assets of Rs.1.07 crore even though it was showing losses during these years. Based on these facts, the Company informed (December 2003) BIFR that the unit was a willful defaulter and requested dismissal of its petition for relief. As on 31 March 2004, the overdues

amounted to Rs.11.23 crore (principal: Rs.1.76 crore plus interest: Rs.9.47 crore).

From the above, it could be seen that the Company did not take effective follow up action like periodical inspection, obtaining and analysing of annual accounts of the assisted unit, *etc.*, which would have revealed the irregularities like under-invoicing and acquisition of assets from internal generation without repaying the loan. Further, on receipt of paltry sums against huge overdues, Company withdrew (January 2001 and March 2002) foreclosure notices.

The Company stated (July 2004) that action like taking possession of the unit was not taken overnight for a single default or few defaults. The reply is not tenable due to the fact that the loanee was a willful and chronic defaulter.

2.2.17 The Company sanctioned (January 1996) a term loan of Rs.2.50 crore to Marson Textiles Limited to set up a spinning mill at Kodiyalam Village and disbursed Rs.1.92 crore. Unit commenced production in March 1997 and defaulted in repayment of dues from the beginning. In all, it paid Rs.38.86 lakh (up to 1999-2000 including insurance claim of Rs.9.12 lakh).

Audit observed that despite this, the Company, based on a request (January 1999) by the unit, funded (March 1996 to April 1999) interest of Rs.1.04 crore up to 30 April 1999 under rehabilitation package. The unit remained closed from November 1999. The unit approached BIFR in 2000 and the matter was pending (March 2004). Failure to take effective follow-up action and funding of interest even after knowing that the unit had been defaulting since beginning resulted in non-recovery of dues. The Company has not inspected the unit after June 2000 and was not aware whether all the machinery financed by it were available inside the factory premises. As on 31 March 2004, the overdues amounted to Rs.4.91 crore (principal: Rs.1.10 crore and interest: Rs.3.81 crore) besides funded interest of Rs.1.04 crore.

Withdrawal of Nominee Directors

2.2.18 The Company under the provisions of State Financial Corporation Act, 1951 and by virtue of terms and conditions of loan sanction letter, could nominate a Director on the Board of Directors of the assisted units. The policy of the Company prescribed nomination of Directors in the following cases:

- Where loan sanctioned has been more than Rs.50 lakh.
- Where the equity participation of the Company has been more than Rs.10 lakh.
- Defaulting units and joint finance cases.

The Company had not maintained any consolidated records to show the number of units in which nominee Directors were to be appointed, number of nominee Directors appointed, number of meetings attended by the nominee Directors, number of Directors who sent their reports and action taken on the

reports. The Company withdrew (2000-01) the nominated Directors from all but three units, citing the following reasons:

(i) The nominated Directors were not co-opted as Directors on the respective Boards of 83 units.

(ii) The assisted units did not conduct meetings and even if meetings are conducted, did not invite the nominated Directors.

(iii) The Company received only a few reports and purpose of nominee Directors was not served.

Instead of plugging the above loopholes by suitable action, the Company withdrew the nominee Directors, which is detrimental in the long run.

Recovery performance

Procedure

2.2.19 The Company lends money at interest rates varying from 12.25 *per cent* to 16 *per cent per annum* depending on the type of loan and location of the assisted unit. As per terms of sanctions, the principal amount is to be repaid in 24 equal quarterly instalments after a moratorium of two years, whereas interest is to be paid in quarterly instalments and no moratorium is allowed for interest. Loans under transport scheme and loans to commercial establishment are repayable in monthly instalments and the maximum period allowed for repayment is 36/60 months. Assistance under hire purchase scheme is recovered on Equated Monthly Instalments (EMI) basis in 36/60 months.

A Default Review Committee (DRC) is functioning in the Company, which reviews the defaulting units periodically and advises the management on the course of action to be taken.

Recovery and Overdues

2.2.20 The details of term loan and interest due for recovery, amount recovered and the overdue/shortfall in recovery during the five years ended 31 March 2004 are given in **Annexure-18.** Audit observed that separate targets for recovery of old and current dues were not fixed.

An analysis of the recovery and arrears position of the Company for the five years ended 31 March 2004, revealed the following:

Target fixed for recovery of principal steeply declined from 72.60 per cent in 1999-2000 to 42.27 of the dues in 2002-03 and marginally increased to 47.24 in 2003-04.

2.2.21 The targets fixed for recovery of principal as against total amount due during the year were very low. The percentage of targets to the principal amount due during the year steeply declined from 72.60 *per cent* in 1999-2000 to 42.27 *per cent* of the dues in 2002-03 but marginally increased to 47.24 *per cent* in 2003-04. In respect of recovery of interest also, the targets were fixed at very low levels compared to the dues and this touched an all time low of 18.71 *per cent* of the dues in 2003-04. It is also interesting to note that even

these very low targets for interest were not achieved in any of the years except 2003-04. It is pertinent to note that COPU in their 21st Report recommended (October 1991) and reiterated in May 1999 that the targets should be fixed at sufficiently higher levels and effective follow up action on defaulters should be taken. Audit observed that the Company had not acted upon these recommendations as it continued to fix lower targets. The overall recovery percentage had also not improved.

2.2.22 The low levels of interest collection affected the working results of the Company and this was the main reason for cash losses in 2001-02 and 2002-03. Another fall-out of low recovery was non-availability of funds for plough back/recycling.

2.2.23 Seventy eight units availed loan of more than Rs.50 lakh each from the Company from which even a single instalment of principal was not recovered. The principal and interest overdues outstanding from these units aggregated to Rs.67.31 crore and Rs.146.20 crore, respectively as on 31 March 2004.

Categorisation of outstanding dues

2.2.24 As per IDBI/SIDBI guidelines of May 1999 and as modified from time to time, the loan portfolio has been classified into five categories for the purpose of income generation/recognition and provisioning as given below:

1.	Standard assets	Where the payments are regular, loan as well as interest remained unpaid up to six months..
2.	Sub-standard assets	Where the loan as well as interest remain overdue for more than six months but less than two years.
3.	Doubtful assets-I	Where loan as well as interest remain overdue for more than two years but less than five years
4.	Doubtful assets-II	Where loan as well as interest remain overdue for more than five years
5.	Loss assets	Where loans for which the loss has been identified but not written off wholly or partly

The position of outstanding loans and classification of loans for the last five years is given below:

(Rupees in crore)

Sl. No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Loans outstanding at the close of the year	1,012.00	989.48	957.57	864.63	764.94
2.	(a) Standard assets	438.16	419.85	378.02	319.91	282.07
	(b) Sub-standard assets	253.66	128.06	101.13	65.89	62.57
	(c) Doubtful assets-I	227.26	306.51	259.98	188.74	109.63
	(d) Doubtful assets-II	92.92	135.06	218.44	290.09	310.67

Sl. No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
	(e) Loss assets	5.82	12.26	35.53	42.62	49.47
3.	Total non performing assets (b) + (c) + (d)	573.84	569.63	579.55	544.72	482.87
4.	Percentage of NPA to total outstanding	56.70	57.57	60.52	63.00	63.10

It could be seen from the table that the loss assets increased from Rs.5.82 crore in 1999-2000 to Rs.49.47 crore in 2003-04. The percentage of NPA to the total outstanding also hovered around 60 *per cent*.

Roll over scheme

2.2.25 Based on request from the borrowers and on the offer by IDBI/SIDBI for roll over package by reducing interest rate, the Company introduced (February/July 2001) a roll over scheme. In this scheme interest on loans was brought down to 17 *per cent* wherever it was more than that percentage subject to down payment of 20 to 50 *per cent* of simple interest arrears. The balance simple interest was payable in 18 to 24 monthly instalments and the penal and compound interest was repayable after repayment of outstanding principal. Roll over premium was 50 *per cent* of Net Present Value of differential interest.

The Company recovered Rs.2.27 crore as down payment and Rs.95.36 lakh as premium from 679 borrowers, who responded to this scheme, as against 7,836 eligible borrowers.

2.2.26 As the response to the scheme was not encouraging, the Company introduced a second roll over scheme in April 2003. The salient features of the scheme were as follows:

- Down payment of entire overdue interest in respect of standard assets.
- Down payment of entire interest overdues up to Rupee one lakh and Rupee one lakh plus 50 *per cent* of overdues above Rupee one lakh in respect of sub-standard asset.
- Down payment of 15 *per cent* and 10 *per cent* overdues in respect of Doubtful-I and Doubtful-II categories respectively.
- Roll over premium reduced to 25 *per cent* from 50 *per cent* in the earlier scheme for the remaining period.
- Entire balance interest was interest free and was repayable in instalments after principal repayment. Penal and compound interest was waived off.

The Company collected Rs.7.02 crore (against the target of Rs.12.64 crore) as down payment and Rs.49.68 lakh as premium as on 31 March 2004 from 1,922 borrowers as against 3,869 eligible borrowers.

2.2.27 Audit analysis of these two roll over schemes revealed that in the second scheme additional concessions (compared to the first scheme) were extended by way of:

- waiver of penal and compound interest
- reduction in roll over premium from 50 to 25 *per cent*.
- balance overdue interest was made interest free and repayable after repayment of principal.

As Company availed of loans from financial institutions and was regularly repaying the principal and interest, interest free funding of overdue interest lacked justification and resulted in loss of Rs.2.86 crore *per annum* to the Company (computed on the funded interest of Rs.18.76 crore at minimum interest rate of Rs.15.25 *per cent*) from December 2003 and would be recurring till repayment of funded interest starts.

Rehabilitation of sick units

2.2.28 The Reserve Bank of India and IDBI have issued guidelines periodically in regard to rehabilitation of sick small scale industrial units with specific reference to definition of sick SSI units, viability norms and also the extent to which reliefs and concessions may be provided by the financial institutions under the rehabilitation packages. Rehabilitation packages included relief and concessions like waiver of penal/compound interest, funding of interest (with or without interest) and reschedulement of repayment schedule within the terminal date or by extending the terminal date.

The Company allowed rescheduling of repayment of principal instalment based on the request from the defaulters as a measure of relief to prevent further default. During 1999-2004, the Company rescheduled term loan of Rs.93.53 crore in respect of 370 defaulted units. An amount of Rs.6.60 crore towards interest overdue was funded and an amount of Rs.86 lakh towards penal/compound interest was waived and frozen in respect of 334 units. The Company neither called for reports on the results achieved as a result of rehabilitation programme nor reviewed the effectiveness of the scheme on which it had foregone Rs.7.46 crore.

Audit analysis of 75 cases in which repayments were rescheduled revealed that the rescheduling did not result in improved recovery in 44 cases. As against the principal and interest demands of Rs.18.37 crore and Rs.27.29 crore respectively subsequent to rescheduling, the recovery from these 44 units was only Rs.2.57 crore (14 *per cent* of demand) and Rs.9.55 crore (35 *per cent* of demand) respectively.

Repossession of units

2.2.29 The details regarding the number of units taken possession, principal and interest outstanding at the time of taking over, amount realised through disposal and balance amount to be realised for the five years ended 31 March

2004 are given below:

(Rupees in crore)

Year	Number of units at the beginning	Number of units in respect of which possession taken during the year	Number of units under possession	Number of units disposed off	Total loan amount outstanding against units disposed off	Amount realised on disposal	Loss on disposal of assets
1999-2000	1,094	484	1,578	289	62.40	12.32	50.08
2000-01	1,289	15	1,304	303	79.49	9.81	69.68
2001-02	1,001	196	1,197	169	39.98	6.87	33.11
2002-03	1,028	712	1,740	405	120.27	16.25	104.02
2003-04	1,335	361	1,696	637	173.95	17.35	156.60

Audit observed that:

The Company was yet to dispose off 1,059 units out of 2,862 units taken over during the five years ended 31 March 2004.

- The Company could dispose off assets of only 1,803 units and realised an amount of Rs.62.60 crore as against total dues of Rs.476.09 crore during 1999-2004. During 2002-04, the Company realised Rs.33.60 crore in the disposal of 1,042 units, which did not cover even the principal amount of Rs.60.39 crore. The Company did not make available the break up of principal and interest outstanding in respect of assets disposed off up to 2001-02.
- In respect of 1,059 units in possession of the Company, from whom Rs.606.48 crore were due as on 31 March 2004, 405 units (38.2 *per cent*) were taken over more than five years ago and the amount due from these 405 units aggregated to Rs.260.62 crore (43 *per cent*).
- In 224 cases, assets could not be sold even after five to 10 auctions for want of bidders for the amount fixed by the Company. Due to delay in disposal of these assets, the Company had not only to incur Rs.9.46 crore on security charges, insurance, advertisement and maintenance of assets up to 31 March 2003, but also had to bear the loss due to deterioration in the value of assets. Further, major defaulting units, from whom Rs.139.20 crore were due, were in the possession of Official Liquidator/State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)/banks.

Absence of any concrete strategy for timely disposal of assets taken over and lack of realistic assessment of value of assets resulted in their non-disposal and consequent deterioration.

Agency operation

2.2.30 The State Government was providing capital subsidy for industries set up in the specified areas till February 2003. The Company received subsidy

from the Government and disbursed the same to the eligible units. The Company disbursed Rs.28.42 crore as subsidy to 598 units during the five years period ended 31 March 2004. As per the terms and conditions of sanction of subsidy, the units that availed subsidy, were required to be in operation continuously for five years from the date of receipt of subsidy, otherwise the entire subsidy was to be refunded to the State Government. Audit observed that the Company did not maintain proper records to monitor the continued functioning of those units to which subsidy was given and the number of units, which did not fulfil the conditions stipulated. The Company stated (July 2004) that 541 units, which received Rs.12.99 crore as subsidy did not run continuously for five years and hence became liable to refund the subsidy. No amount, however, has been recovered from these units. Besides this, the Company also allowed 56 units, which received Rs.86.03 lakh as subsidy and did not run continuously for five years, to settle their dues with the Company without recovering the subsidy from them.

Man power

2.2.31 The staff strength of the Company as on 31 March 2004 was 708 as against the sanctioned strength of 967. The Board of Directors while considering the business plan policies and strategies for operations for 1999-2000 decided (April 1999) to undertake an exercise to properly assess and rationalize the man power in the Company. The Company identified (April 2001) 176 employees as surplus in all categories and sent a proposal to the State Government (May 2001) for Voluntary Retirement Scheme (VRS) to these surplus employees. The State Government approved (May 2002) this scheme and issued (May 2002) detailed guidelines for VRS. The State Government further directed (July 2002) that all State Public Sector Undertaking should form a Committee of Directors to give recommendations on reducing the staff by 30 *per cent* over a period of five years and identification of surplus posts in all categories.

The Committee of Directors formed by the Board identified (August 2002) 170 posts as surplus. The Committee arrived at this figure taking into account pruning of Regional and Branch offices from eight to six and 36 to 25 respectively. The Board while approving the proposal, decided to implement the rationalisation of strength in a phased manner and the progress in the implementation of VRS was to be reviewed by the Committee after one year. It was estimated that due to reduction of staff and pruning of Branch and Regional offices, the Company could save Rs.3.36 crore *per annum* on salaries and wages and Rs.52.75 lakh on establishment expenses. This proposal was approved (October 2002) by the State Government.

Audit observed that out of 170 posts identified as surplus only 80 officials have been sent on VRS so far (March 2004). The Company brought down number of Branch Offices from 36 to 33 instead of 25 as envisaged.

Internal Audit

2.2.32 The Internal Audit Department (IAD) of the Company is headed by a Deputy General Manager assisted by a Manager and an Assistant Manager. The Internal Audit Department conducts audit of operational activities like sanction, disbursement, follow up, administration, *etc.* From 1999, Internal Audit Department confined itself mostly with the checking of interest on loans, verification of cash and bank vouchers, ledger postings, ensuring the availability of insurance coverage for the assets created by the loanees, validity of the available guarantee, *etc.* The audit findings were reported to the Managing Director. No major irregularities were found by the IAD during the period under review.

Conclusion

The Company was established to provide financial assistance to medium scale industries, transport and small scale units to accelerate and sustain industrial growth in the State. Loans were sanctioned in several cases in the face of adverse factors brought out in the appraisal notes. The loans were also disbursed without adhering to the general terms and conditions of the sanction. The steady increase in percentage of non-performing assets to total outstanding amount indicates that the recovery mechanism of the Company was ineffective. The Company needs to improve the recovery performance.

In order to reduce the dependence on borrowed funds, which was a consequence of poor recovery performance, the Company has to scrupulously adhere to the laid down procedures in respect of sanction, disbursement, monitoring and follow-up of the loans. The Company should also have to evolve an action plan for speedy disposal of units under its possession in order to realise the outstanding amount to eliminate/minimise deterioration in the value of assets taken over. The Company also need to rationalise the interest rate so as to survive in the highly competitive business and this would not only provide finance to entrepreneurs at affordable rates but would also spur industrial growth in the State.

CHAPTER-III

3 REVIEWS RELATING TO STATUTORY CORPORATION

TAMIL NADU ELECTRICITY BOARD

3.1 SECTORAL REVIEW ON FUEL MANAGEMENT

HIGHLIGHTS

Tamil Nadu Electricity Board (Board) has 160 power generation stations comprising four thermal, three gas based, one naptha based power station, 32 hydel and 120 windmill stations. The installed capacity as on 31 March 2004 was 5,401.035 Mega Watt (MW).

(Paragraph 3.1.1)

The Board has not determined the quantum of shortage of coal to be borne by the handling agencies since 1997.

(Paragraph 3.1.5)

Poor quality of coal received by the Board resulted in loss of generation of 912.39 million units.

(Paragraph 3.1.7)

The Board had incurred Rs.68.35 crore on account of stones and mill rejects contained in coal.

(Paragraph 3.1.8)

There was excess consumption of gas valuing Rs.9.56 crore in two gas turbine power stations due to excessive heat consumption for generation.

(Paragraph 3.1.10)

There was excess consumption of naptha valuing Rs.34.96 crore in Basin Bridge Gas Turbine Power Station due to excessive heat consumption.

(Paragraph 3.1.11)

Introduction

3.1.1 Tamil Nadu Electricity Board (Board) has 160 power generating stations comprising thermal, gas based, naptha based hydel and windmill. There are four thermal power stations located at Tuticorin, Mettur, North Chennai and Ennore; three gas based power stations at Thirumakottai, Valuthur, Kuthalam and one naptha based power station at Basin Bridge (Chennai). The hydel and windmill stations (152 numbers) are located in various parts of the State. The installed capacity of the Board as on 31st March 2004 was 5,401.035 Mega Watt (MW). Details of installed capacity and generation achieved by the various power stations, classified on the basis of fuel used, during 1999-2004 are given in **Annexure-19**. The fuels used in the power generation are coal, furnace oil, high speed diesel oil, gas and naphtha. Coal and oil cost constituted 94.54 *per cent* of total fuel cost of the Board in 2003-04. The Board procures coal from Coal India Limited and its subsidiaries, oil and naphtha from Indian Oil Corporation Limited and gas from GAIL (India) Limited.

Organisational set-up

3.1.2 Chief Engineer (Coal), Chief Engineer (Mechanical-Thermal Stations) and Chief Engineer (Projects) reporting to Member (Generation) carry out the activities relating to procurement and consumption of fuel.

Scope of Audit

3.1.3 Purchase and consumption of fuel, as a separate activity was not reviewed in the earlier years. This review covers the activities relating to procurement, transportation, storage and consumption of fuel for the five years ending 31 March 2004. The review conducted during December 2003 to March 2004 covered thermal power stations located at Tuticorin (Tuticorin Thermal Power Station), Mettur (Mettur Thermal Power Station) and North Chennai (North Chennai Thermal Power Station). The gas-based power stations located at Thirumakottai Kovilkalappal Gas Turbine Power Station (TKGTPS), Valuthur (Valuthur Gas Turbine Power Station - VGTPS) and one naphtha-based power station at Basin Bridge (Basin Bridge Gas Turbine Power Station) are covered in the present Review. The performance of Kuthalam gas-turbine power station has not been included in the review since it commenced generation in March 2004 only. Ennore (Ennore Thermal Power Station) was already reviewed and the findings have been included in the Commercial Audit Report for the year ending 31 March 2003.

Audit findings, as a result of test check, were reported to the Government/Board in May 2004 with a specific request to attend the meeting of the Audit Review Committee of State Public Sector Enterprises (ARCPSE), so that view points of the Government/Board are taken into account before finalising the review. The ARCPSE meeting scheduled in July 2004 could not be held due to change in the incumbency of the members of ARC at the Board

as well as Government level. The reply of the Board furnished thereafter in July 2004 has been considered and suitably incorporated in the review.

Procurement of fuel

Coal

Linkage and supply of coal

3.1.4 The Standing Linkage Committee (SLC) allots coal based on the availability at various collieries, the handling capacity of the ports, nearness of the colliery to the ports and the quarterly requirement of the Board. The coal is allotted from the collieries of Eastern Coal Fields Limited (ECL – Raniganj collieries), Bharat Coking Coal Limited (BCCL) and Mahanadhi Coal Fields Limited (MCL - IB Valley and Talcher collieries) situated in the States of West Bengal, Jharkhand, Orissa and Madhya Pradesh. The Board has not entered into an agreement with the suppliers of coal since 1986. The position of coal linkage, receipts as against consumption of coal during 1999-2004 is given below:

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Targeted Generation (in million units – MU)	19,044	20,074	21,646	20,884	20,972
Quantity of coal requisition sent to SLC to achieve the above target (in lakh MTs)	107.55	156.45	153.15	142.20	161.55
Coal linkage by SLC (in lakh MTs)	110.10	150.45	151.95	148.50	161.85
Coal receipts (in lakh MTs)	115.34	152.52	144.92	135.52	139.97
Coal Consumption (in lakh MTs)	137.58*	144.33	149.03*	148.37*	144.13*

The Board received adequate quantity of coal to meet the entire requirements of the thermal stations. There was no shut down of the power stations for want of coal.

The specific observations noticed in the procurement of coal are discussed in succeeding paragraphs.

Transit loss in movement of coal

The Board has not determined the quantum of shortage of coal to be borne by the handling agencies since 1997.

3.1.5 For movement and handling of coal from the collieries to the discharge port, the Board, periodically, placed purchase orders on handling agencies. As per conditions of purchase order, the handling agencies were responsible for any shortage of coal between quantities loaded at the collieries and the quantity discharged. Audit observed that the shortage of coal in the contracts have not been periodically determined since 1997 as the contracts have been

* The excess consumption over receipts was met from coal reserves maintained in the power stations.

extended year after year without determining the shortage of coal in the previous contracts.

The Board stated (July 2004) that the actual shortage could be arrived at only on closure of purchase orders and shortage, if any, would be recovered from the handling contractor. The reply is not tenable as non-determination of shortages immediately after the end of a year has resulted in delay in recovery of cost of shortages noticed in coal from the handling agencies. Besides, the delay in determination for shortages would pose problems in the correct determination of shortages of coal relating to very old periods.

Lack of agreement with Poompuhar Shipping Company for charter parties

3.1.6 Coal is transported by sea from the loading ports of Haldia, Paradip and Vizag to Chennai and Tuticorin by Poompuhar Shipping Corporation Limited (PSC) - a State Government undertaking through its three vessels. As three vessels were not adequate, PSC chartered additional vessels, on behalf of the Board, for transport of coal. The rights and liabilities of PSC and the Board in respect of these chartered vessels were not defined by way of an agreement.

There were 17 arbitration awards (as on August 2004) aggregating to Rs.10.16 crore against PSC in respect of private charter parties against which PSC has gone on appeal in the High Court of Madras. Audit observed that the Board reimbursed (June 2001) Rs. 2.89 crore in respect of two arbitration cases to PSC in their capacity as principal responsible for the acts of its agent. While sanctioning reimbursement of the above award, the Board noted that PSC did not contest the arbitration effectively due to its inability to produce documentary evidence before the arbitrators and deficiencies in the drafting of charter party agreements

The Board stated (July 2004) that a committee comprising members of the Board and PSC had been constituted to sort out the issues and avoid arbitration cases in future. It was also stated that the agreement with PSC due for renewal in August 2005 would be suitably modified to safeguard the interests of the Board.

Quality of Coal

Poor quality of coal and loss of generation

3.1.7 The following table indicates the loss of generation due to poor quality of coal, as furnished by the Board during 1999-2000 to 2003-04.

Loss in Generation (in MU)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
TTPS	8.44	36.02	14.99	35.82	45.30	140.57
MTPS	134.41	228.61	165.68	18.15	0.16	547.01
NCTPS	16.02	20.56	58.26	68.30	61.67	224.81
Total	**158.87**	**285.19**	**238.93**	**122.27**	**107.13**	**912.39**

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Poor quality of coal received by the Board resulted in loss of generation of 912.39 million units.

The poor quality of coal during 1999-04 resulted in loss of generation of 912.39 million units (MUs).

The Board stated (July 2004) that the quality of coal had improved and loss of generation had been reduced. Audit observed that the loss of generation in respect of TTPS and NCTPS for the last three years ending March 2004 (as indicated in the above table) did not indicate improvement in quality of coal as claimed by the Board.

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Stones, shale, foreign material (mill rejects) in coal receipts

3.1.8 As the Board has not entered into an agreement with the suppliers of coal since 1986, no agreement for reimbursement of cost for the stones, shale and foreign material contained in coal was also reached. Audit observed that as per model agreement existing in 1985, the supplier was to take adequate steps to ensure that pickable shales, stones are removed. The quantity of the stones, mill rejects received and the consequent loss incurred by the Board during the last five years ended 31 March 2004 are given below:

Name of the Thermal Power Station (TPS)	Quantity of coal received at TPS (in lakh MT)	Quantity of stones and mill rejects contained in coal (in lakh MT)	Cost of stones and mill rejects (Rupees in lakh)
NCTPS	165.91	1.40	2125.27
MTPS	238.54	1.18	2002.44
TTPS	246.51	1.55	2847.64
Total	**650.96**	**4.13**	**6975.35**

The Board had incurred Rs.68.35 crore on account of stones and mill rejects contained in coal.

The Board stated (March 2004) that as per mutual consensus between TNEB and Coal India Limited (CIL), the latter reimburses cost, based on joint assessment by TNEB and CIL for the quantity of (+) 200 mm stones only. It was also stated (July 2004) that deduction of (+)200 mm stones, shales had already been taken care of while collecting samples for ascertaining the grade. The reply of the Board needs to be viewed from the fact that the reimbursement for the quantity of (+) 200 mm stones received by the Board during the period was only Rs.1.40 crore as against the cost of Rs.69.75 crore of stones and mill rejects supplied by CIL.

Excess ash content in coal

3.1.9 Higher ash content in coal is one of the main reasons for excess consumption of coal in thermal power stations. The following table indicates the percentage of ash content in coal received at the thermal stations during 1999-2004:

69.75
1.40
68.35

Power Station	1999-2000	2000-01	2001-02	2002-03	2003-04
TTPS	41.59	43.47	40.67	39.32	41.62
MTPS	45.20	46.51	44.96	43.70	42.35
NCTPS	46.60	46.40	45.40	40.20	42.70

The ash content of coal received ranged from 39.32 to 46.60 *per cent* as indicated in the above table. Ministry of Environment and Forest, Government of India (May 2001) stipulated a maximum ash content of 34 *per cent* in coal for thermal stations located beyond 1,000 KMs from the coal pithead. The Board, however, continued to get coal with high ash content.

It is relevant to point out that NCTPS suggested (July 2001) usage of washed coal, which would bring down the ash content to 36.4 *per cent*. As against the average calorific value of 3258 Kcal♥/kg for Run Of Mine coal, washed coal was expected to have a calorific value of 4198.4 Kcal/Kg. The use of washed coal was expected to transform into an annual saving of 8.22 lakh MT of coal valuing Rs.61.39 crore for NCTPS alone. As the generating stations of Electricity Boards of Gujarat, Punjab, Rajasthan have already switched over to washed coal by engaging private coal washeries at the coal pithead, use of washed coal in the thermal stations of Tamil Nadu assumes greater importance particularly in view of substantial saving in the cost of coal. The Board, however, is yet to take a decision in this regard (August 2004).

The Board stated (July 2004) that the quantification of benefits of the project could be ascertained only if washed coal was used for a sustained period of two to three years in a particular unit or the whole power station. It was also expressed that they were not able to venture into any project without ascertaining its pros and cons and they proposed to get washed coal and use in one thermal station for six months on trial basis.

Consumption of fuel

Excess consumption of gas

3.1.10 The following table indicates the designed heat rate of the stations, generation achieved, actual heat rate reached at the stations, excess heat rate consumed, excess consumption of gas and the value of excess gas consumed during 2001-04:

Sl. No.	Particulars	T (K) GTPS			VGTPS
		2001-02	2002-03	2003-04	2003-04
A	Installed capacity in MW	107.88	107.88	107.88	95
B	Generation in MU	697.342	727.409	723.72	665.55
C	Stipulated heat rate by Original Equipment Manufacturer (Kcal/Kwhr♦)	1,670	1,670	1,670	1,671.6
D	Actual heat rate achieved (Kcal/Kwhr)	1,697.37	1,697.37	1,823.82	1,929.62

♥ Kilo calories.

♦ Kilowatt hour.

Sl. No.	Particulars	T (K) GTPS			VGTPS
		2001-02	2002-03	2003-04	2003-04
E	Excess heat consumed (Kcal/Kwhr) (D-C)	27.37	27.37	153.82	258.02
F	Excess heat consumed (in Mcal) (E x B)	19,086.25	19,909.18	87,662.02	1,71,725.21
G	Excess consumption of gas in Standard Cubic Meter(SCM) (F x $10^6/10^4$)	19,08,625	19,90,918	87,66,202	1,71,72,521

There was excess consumption of gas valuing Rs.9.56 crore in two gas turbine power stations due to excessive heat consumption for generation.

The total excess consumption of 29.84 million SCM of gas resulted in extra expenditure of Rs.9.56 crore in the above two stations. The Board stated (July 2004) that the performance of gas turbines was entirely dependent on the ambient temperature and hence, the air played a major role. It was also stated that whenever the ambient temperature was more than the design value, the rated performance could not be obtained and that the gas turbine would always be designed based on the annual average temperature of the area.

The reply of the Board is not tenable as the designed parameters themselves were fixed based on the field conditions including average temperature in the area. It is also relevant to point out that the two stations did not achieve even the relaxed norm fixed at 1720 Kcal/Kwhr by Tamilnadu Electricity Regulatory Commission for 2003-04.

Excess consumption of naphtha due to enhanced heat rate at BBGTPS

There was excess consumption of naptha valuing Rs.34.96 crore in Basin Bridge Gas Turbine Power Station due to excessive heat consumption.

3.1.11 Similarly, for generating one Kwhr of electricity in BBGTPS, the designed heat rate prescribed by the manufacturer of generating equipment was 3,005 Kcal. As against the designed heat rate, the actual heat rate of the station was always higher during April 1999 to March 2004 and ranged between 3,182 to 3,620 Kcal/Kwhr.This resulted in excess consumption of 22,337.23 MT of naphtha valued at Rs.34.96 crore.

The Board stated (March 2004) that the station was used as a peak hour generating station only and the gas turbines had to be started and stopped as per the direction of the Load Despatch Centre resulting in excess consumption of fuel. It was also stated that the loading of the units were also restricted depending upon the grid condition and as such heat loss could not be controlled at BBGTPS.

The reply is not tenable since the designed heat rate itself was fixed as applicable to peak hour station only.

Excess consumption of coal due to excess heat consumed

3.1.12 In respect of thermal power stations also the suppliers of the generating machinery have fixed norms for consumption of coal with reference to the designed heat rate of the unit and thermal efficiency. A review of three power stations (TTPS, MTPS and NCTPS) revealed that the actual coal consumed was more than the norms fixed for these stations due to consumption of excess

heat by these power stations. This resulted in excess consumption of 35.65 lakh MT of coal valuing Rs.610.50 crore during 1999-2004.

The Board attributed (July 2004) excess consumption of coal mainly to lesser calorific value of coal, more ash content and variation in moisture in different grades of coal. The reply is not tenable as the point raised was excess consumption of heat in relation to actual generation, independent of the quality of coal. Further, based upon the calorific value of coal actually received, norms fixed have not been reviewed for making suitable corrections for adoption in future.

The matter was reported to the Government in August 2004. The reply is, however, awaited (September 2004).

Conclusion

The Board has not entered into agreement with the suppliers of coal. In absence of agreement, issues regarding poor quality of coal, presence of shales, stones and foreign materials in coal could not be settled with the suppliers. The Board has not determined the shortages of coal and as such early recovery of the shortages from handling agencies could not be carried out.

The Board is required to enter into agreement with the suppliers of the coal to settle these issues regarding quality of coal, etc. Shortages noticed in the handling of coal need to be determined early to avoid the chances of future disputes with the handling agencies.

3.2 INFORMATION TECHNOLOGY REVIEW ON IMPLEMENTATION OF SOFTWARE ON HIGH TENSION REVENUE BILLING

HIGHLIGHTS

The software for High Tension billing in all the 37 Electricity Distribution Circles of Tamil Nadu Electricity Board which was introduced in July 2001 did not cover all the essential items of revenue to be assessed. The vendors failed to provide module for online collection and integrate it with the accounting system as per the terms of contract.

(Paragraphs 3.2.1 and 3.2.4)

The program did not levy maximum demand charges based on recorded maximum demand resulting in short levy of Rs.28.21 lakh .

(Paragraph 3.2.9)

The program incorrectly worked out Additional Current Consumption Deposit (ACCD) in respect of leasehold services, which had to be corrected manually.

(Paragraph 3.2.21)

The program did not ensure compliance with energy audit regulations resulting in non-recovery of penal charges of Rs.33.29 lakh.

(Paragraph 3.2.25)

The periodical amendments to the program were not systematically maintained in the program library. Ensuring that the amendments were authorised, tested and accepted was therefore not possible.

(Paragraph 3.2.27)

Introduction

3.2.1 Tamil Nadu Electricity Board (Board), a statutory body, was formed in 1957 under the Electricity (Supply) Act, 1948 to take up the role of the erstwhile Electricity Department of the Government of Chennai. The main functions of the Board are to generate, transmit and distribute power in the State of Tamil Nadu and to wheel power to a part of the Union Territory of Pondicherry under mutual agreement. The distribution of electricity is being done through 37 Electricity Distribution Circles (EDCs) spread over the State. The revenue generated by the Board through High Tension (HT) services by these EDCs for the financial year ending 31 March, 2003 was at Rs.4,452.63 crore representing 47.9 *per cent* of the total revenue.

The program for HT billing was made in COBOL in the initial stages, which was converted in FoxPro in the early nineties. Later, to take advantage of the developments in Information Technology (IT), the Board switched over to Oracle RDBMS (Relational Database Management System). This application was introduced in July 2001 in all the 37 EDCs.

Audit scope and methodology

3.2.2 The software aimed at (a) preparation of HT bills (b) online collection and accounting (c) analysis of the consumption pattern, and (d) attainment of complete revenue realisation. The objective of audit was to examine whether the aims were achieved, to evaluate IT controls to ensure their adequacy and to ensure that the relevant business rules, terms and conditions of supply of electricity and periodical operational instructions have been correctly embedded in the software.

The scope of audit involved a review of the system and connected records in Headquarters of the Board and a test check of the relevant records in five EDCs (South, Central, North and West of Chennai and Tirunelveli). The EDCs selected for audit accounted for 27.3 *per cent* of the total revenue of Rs.4,452.63 crore from HT services as on 31 March 2003. The data maintained in the central server for the period upto October 2003 was queried using Structured Query Language (SQL). Wherever necessary, the reports generated by the systems were also used for analysis. The results of the queries were examined to evaluate the adequacy of IT controls, to identify loss/omission of revenue and to ensure comprehensiveness of the software. The audit findings are discussed in subsequent paragraphs.

Software development and implementation

3.2.3 The order for the design and development of software for computerization of H.T Billing and collection of Current Consumption charges was awarded in April 2000 to Broadline Computers Pvt Ltd, Chennai for a total fee of Rs.18.16 lakh. The billing software including modules for Security Deposit, HT

application and integration with accounting system was to be completed within six months from the date of award of the Purchase Order (P.O) i.e by October 2000. The software was, however, implemented in all the circles with effect from July 2001 only.

3.2.4 Audit observed that:

- The online collection module was not implemented.
- The module did not handle various billing components such as banking charges and Reactive Kilovolt Ampere hour (RKVAHr) penal charges for windmill services and energy audit regulations.
- The billing software was not integrated with the accounting system.
- The Board continued with the manual system of writing of consumer ledgers, resulting in duplication of work and ineffective deployment of manpower and other resources.

The Board stated (November 2003) that the module to computerise all types of collections was developed and implemented in EDC Chennai (North), from December 2002 and in EDC, Vellore, from August 2003. The remaining circles were instructed to implement the same from November 2003. For the delay, it was stated (May 2004) that a sum of Rs.0.30 lakh was deducted as liquidated damages. The Board, however, could not complete the planned computerisation within the time frame.

Deficiencies in system design

The data analysis using SQL, to verify whether the business rules have been incorporated in the application, revealed the following deficiencies in the system design:

3.2.5 The EDCs have to periodically transfer data to the central server as per the following detailed schedule:-

- Every day during the billing time i.e at the month end;
- At the end of the collection due date;
- 25th of the collection month;
- 31st of the collection month and
- Final transfer of the data on 5th of the subsequent month of collection month.

However, no program control existed to ensure that the EDCs transmitted the complete processed data as per the prescribed schedule. No records were also available in the computer centre for having sent reminders immediately after the due dates to the EDCs for transmitting the unsent data.

3.2.6 The software generated a low consumption report in EDCs, for the services reporting a drop of 20 per cent and above in the consumption as compared to previous month, for investigating the reasons therefor. The report generated in respect of HT services (having windmill units elsewhere in the State and exported windmill generation into TNEB lines), however, did not exactly reflect the low consumption as the electricity exported by windmills into TNEB lines as reduced by transmission charges was adjusted against the units to be billed under HT service. The gross consumption to be billed under HT services was, therefore, reduced to the extent of units exported by windmill units. If windmill export was more than the consumption of units by the HT service, no consumption would be billed for. The low consumption report was, however, prepared for the consumption after adjusting units exported by windmill units, instead of comparing the consumption of gross units consumed by the HT service alone. The Board stated (May 2004) that the software was corrected to consider gross consumption to correctly reflect the trend in consumption.

3.2.7 The meter reading of the windmill units was taken periodically by the EDCs where the units are situated and reported to the EDCs concerned where the HT services of the windmill units were located. The reading details were processed manually by the windmill EDCs and were transmitted by post/e-mail to the EDCs of the HT services concerned for adjustment of the same in the regular energy bills. The information so received by the EDCs of the HT services concerned was again processed for entering into the system. As all the servers in the EDCs were connected to the central server, the monthly meter-reading details in respect of all windmill units could have been directly entered by the respective EDCs where the windmill units were located. This effective data entry procedure avoids double data entry, delay and errors in transmission of information. The Board agreed (May 2004) to incorporate the suggestion made by audit in the software after detailed study.

3.2.8 The regular meter reading for an HT service was taken at the end of every month. A test check of data in the central server indicated more than one regular meter reading for a particular HT service. The Board stated (May 2004) that the program was modified to reject multiple records for regular meter reading.

Deficiencies in billing module

Calculation of Maximum Demand charges

3.2.9 The Maximum Demand (MD) in a month is the highest value of the average Kilovolt-amperes delivered at the point of supply of the consumer during any consecutive thirty minutes in the month and is expressed in KVA. As per the

terms and conditions of supply of electricity, if an HT service exceeds the contracted load in a month, additional charges at two times the demand charges have to be levied for the MD exceeding the contracted load. Due to tariff change with effect from 16 March 2003, two readings (one on 16 March 2003 and the other at the end of March 2003) were taken in March 2003. The program, however, worked out MD based on average recorded MD in the two readings and billed accordingly. As a result, the billed MD was lesser than the MD recorded during the month of March 2003 in respect of 149 services. The program, thus, violated the business rule to bill for the maximum MD recorded during a month. This resulted in shortfall in assessment of Rs.22.89 lakh in respect of 114 industrial and commercial services in 26 EDCs. Similarly, in respect of 35 tariff II services, short levy worked out to Rs.5.32 lakh. The Board accepted (May 2004) the above finding and intimated that the short assessment in MD was reworked out and collected.

The program did not levy maximum demand charges based on recorded maximum demand resulting in short levy of Rs.28.21 lakh.

3.2.10 The monthly recorded MD has to be rounded off to two decimal places and billed for at a fixed rate per MD. Audit observed that, in 2003, the billed MD was incorrectly rounded off by the program in respect of 11 services. The Board stated (May 2004) that the calculation to arrive at the recorded MD to two decimal places was changed.

Working of power factor

3.2.11 Power factor is the ratio of the real power to the apparent power. As per the tariff revision with effect from 16 March 2003, the Board introduced a power factor rebate at 0.5 *per cent* of the amount of current consumption charges for every increase of 0.01 in power factor above 0.95. Though the incentive scheme was to be worked out taking into account the Kilowatt hour (kwhr) and Kilovolt ampere hour (kvahr) consumption with effect from 16 March 2003 to the end of March 2003, the program had, however, worked out the power factor for the entire month of March, 2003. Due to the above method adopted by the Board to reckon power factor, the incentive allowed to 425 HT consumers was incorrect leading to an excess rebate of Rs.5.65 lakh and in addition, a penalty of Rs.4.64 lakh was also to be recovered from 21 HT consumers out of the above 425 consumers. The Board stated (May 2004) that the power factor was reworked out and intimated to the circles to collect the excess incentive allowed.

3.2.12 The power factor, in respect of some cases, was estimated on average basis considering parameters relating to previous months. A test check of the relevant data for April to October 2003 revealed that in certain cases, when the power factor exceeded one, the program erroneously reckoned it as zero instead of restricting it to one. The Board stated (May 2004) that the program was modified in February 2004.

3.2.13 A review of the power factor worked out on average basis during January to November 2003 also indicated that in two out of 41 cases, average kvahr, one of the two parameters required for arriving at the power factor, was not entered

but the power factor value was found in the record. It indicated that the program allowed manual entry of power factor, which was otherwise to be processed through program. The Board stated (May 2004) that the program was modified to calculate the power factor as zero if one of the parameter was not entered.

3.2.14 The HT services have to maintain power factor of their installation at not less than 0.9 as per March 1994 gazette. In the event of the average power factor going below 0.9 consecutively for three months, in addition to the levy of compensation charges, the service connection has to be disconnected giving seven days' notice to the consumer. The service connection was to be reconnected only after the power factor correction was carried out.

]An analysis of the data on low power factor during April to November 2003 indicated that in respect of 91 services, though the power factor was below 0.90 consecutively for three months, the services were not disconnected to improve the power factor. It indicated that the control failures at the EDC level have not been systematically reported to the competent authority, despite the availability of such information in the central server. The Board noted down the point and agreed (May 2004) to incorporate a module to generate a monthly report for review.

Non-regulation of banking charges of wind mills

Absence of module to deal with banking charges for windmill units resulted in loss of revenue of Rs.10.30 lakh.

3.2.15 As per the Board Proceedings (Finance Branch) No.99 dated 27 September 2001, if the energy generated by the windmill units in a month is surplus after adjusting with the energy consumed by the respective HT services, the surplus energy can be carried forward and adjusted in the ensuing months upto the end of 31 March of every year. The Board has to recover five *per cent* of the units carried forward as banking charges. The program did not, however, have a module to deal with banking charges. A test check of banking charges details in respect of four HT services in EDC Chennai (South) and in five HT services in Chennai (Central) revealed that the banking charges were either not deducted or worked out incorrectly resulting in a loss of revenue of Rs.10.30 lakh. The Board stated (May 2004) that a module was incorporated in the program for banking charges.

Continuance of minimum billing beyond the admissible period

3.2.16 As per clause 13.06 of the terms and conditions of supply of electricity, a service may be temporarily disconnected and minimum demand charges billed for a total period of six months for non-payment of dues. A test check of data from April 2001 to October 2003 revealed that in respect of 159 cases, the services were kept disconnected temporarily for more than six months. The program was not able to detect cases in which the services were kept temporarily disconnected beyond a continuous period of six months. The Board stated (May 2004) that the point was already noted and incorporated in the package in December, 2003.

Deficiencies in Security Deposit module

As per clause 6.05 of the terms and conditions of supply of electricity of the Board, the Initial Current Consumption Deposit (ICCD) payable by the intending consumer who was not the owner of the premises, was double the normal rate of the Current Consumption Deposit (CCD) payable by the consumer in the normal course. Additional Current Consumption Deposit (ACCD) reviewed and refixed every year (at 1.5 times the average of the current consumption charges for the preceding twelve months prior to the month of April of that year) has to be maintained at a value not less than ICCD. Audit observed the following deficiencies in security deposit module:

3.2.17 Data analysis in EDC Chennai (North) for 2002-03 indicated that in respect of 40 services, the average monthly current consumption charges were incorrectly worked out at Rs.2.26 crore in place of Rs.2.83 crore by the program. The figures were corrected manually.

3.2.18 ACCD in respect of 23 HT services indicated negative balance of Rs.32.89 lakh during 2001-02. The Board stated (May 2004) that the program was suitably modified to remove negative balances.

3.2.19 In security deposit module, one of the columns representing the instalment amount of ACCD received from the consumers for the year 2002-03 exceeded the allowable size and consequent thereto, the values in respect of six EDCs could not be read. The Board stated (May 2004) that the problem was set right.

3.2.20 The Security Deposit information such as ICCD, ACCD, and Excess Current Consumption Deposit contained more than one record for a particular HT service. Out of the total records of 6554 and 6806 for 2001-02 and 2002-03, only 1328 and 1369 records respectively were maintained correctly without any duplication. The Board stated (May 2004) that initially records were maintained for storing opening balance of Security Deposit and ACCD separately and later, they modified it to have one record per service.

The program incorrectly worked out ACCD in respect of leasehold services, which was corrected manually.

3.2.21 A test check of CCD statement of EDC Chennai (South) for 2002-03 revealed that in respect of six leasehold services, the program worked out ACCD adopting the terms and conditions applicable for a regular HT service. As against a sum of Rs.90.53 lakh to be collected as ACCD, the program worked out the same as Rs.45.24 lakh. ACCD assessment in such cases was corrected manually. As leasehold services have not been specifically dealt with in the module, there is risk that the security deposits for such cases might be under-assessed or refund of security deposits processed incorrectly in various EDCs. The Board agreed (May 2004) to incorporate the above aspect suitably in the program.

Deficiencies in HT application module

In order to effect improvements in processing HT applications and customer service, the Board prescribed (December 2000) a maximum time of 120 days for effecting supply from the date of agreement with the consumer. An analysis of the data maintained in the server in the HT application module indicated the following:-

3.2.22 As per the data received from the EDCs to the server, 157 applications for HT services were pending as on 27 November 2003. As against the maximum time prescribed for final disposal of HT applications, the pendancy exceeded one year in respect of 33 applications and two years in respect of 13 applications. The reasons for delay in these applications could not be found from the data in the absence of a column to that effect.

3.2.23 On readiness of supply, the Board has to issue notice to the consumers to avail of the supply within three months and for that period, monthly minimum charges have to be levied for the sanctioned load for the number of days from the date of issue of notice. Audit observed that the billing software did not ensure that monthly minimum charges were duly levied. A test check of the records in two EDCs in Chennai revealed that in eight cases, monthly minimum charges of Rs.30.03 lakh (from the date of serving notice to avail supply within three months) were either not levied or completely collected.

3.2.24 A time extension for a further period upto three months beyond the notice period of three months has to be granted by the Regional Chief Engineer (RCE) concerned, by collecting the monthly minimum charges for the entire period of six months. But, in two out of eight cases mentioned above, at the time of granting second extension by the RCE, the charges were not collected as mentioned above indicating violation of the relevant business rule.

Absence of module to implement provisions of Energy audit

3.2.25 Consequent to the Government of Tamil Nadu's G.O Ms.No.72 dated 10 May 1996, energy audit was made mandatory for every HT industrial and commercial service and the terms and conditions of supply of electricity was amended (March 1997) accordingly with the objective of minimizing energy costs/consumption. Every HT consumer has to complete energy audit and submit the report thereon within 180 days from the date of receipt of notice issued by the Board in this regard. On expiry of the above period of 180 days, defaulters are issued notice of warning to submit the report within 90 days. Though the statutory regulation relating to energy audit was incorporated in the terms and conditions of the Board, the software did not provide a module to monitor whether energy audit regulations were fully complied with by the services and in the event of default, punitive measures were systematically initiated and appropriate penal charges levied.

The program did not ensure compliance with energy audit regulations resulting in non-recovery of penal charges of Rs.33.29 lakh.

A review of the records maintained in three EDCs in Chennai (South, West and North) revealed that the Board failed to impose a penalty of Rs.33.29 lakh in respect of seven HT services that had not submitted energy audit reports even after expiry of the warning period of three months. Besides, the details of new services (on completion of three years) required to conduct energy audit have not been systematically identified and notices issued on a regular and on-going basis. The Board stated (May 2004) that the point was noted and incorporated in the package.

Review of the incentive schemes

3.2.26 The concession of higher power factor with effect from 16 March 2003 and reduction of five *per cent* charges of night hour consumption were aimed at improving the line voltage which could benefit to the Board in terms of minimisation of shut downs and improving transmission voltage. A review of the quantum of benefits extended under the incentive schemes revealed that during March to October 2003, the concession for night hour consumption and high power factor (power factor above 0.95) allowed were Rs.25.06 crore and Rs.33.99 crore respectively. The Board failed to comprehensively review the package of concessions vis-à-vis the technical and commercial benefits to the Board to propose appropriate corrective action and to maintain revenue as per the budgeted projections. It is also relevant to point out that the Board, while reviewing the performance for the half-year ended October 2003, observed that one of the reasons for short fall in pro-rata revenue realistion was concessions such as power factor incentive, rebate for night hour consumption, etc. The Board stated (May 2004) that the finance wing did conduct the review. However, no report in this regard was available for having reviewed the schemes in detail from the records produced to audit.

Deficiencies in change Management Controls

Any application system requires a sound change management procedure covering control of the ongoing maintenance of the system, standard methodology for receiving and performing changes. A number of deficiencies in change management controls were noticed during audit which are detailed below:

3.2.27 The program requires amendments as per change in business rules and due to improvements effected in the software. For different versions of the program released periodically, subsequent to July 2001, a master copy of the same had not been, however, maintained in program library to ensure that the amendments to the software were authorised, tested and accepted.

3.2.28 The history of program amendments indicating briefly the reasons for effecting changes in the program, the modules affected, the effective date from which it was put into use and the test results of the program were not kept for reference and record. The details of the operating version of the program were also not maintained.

3.2.29 The various components of the program and the relationship among these components had not been documented to identify and reduce errors in the source code.

3.2.30 The programs released were not thoroughly tested before they were put into use in the EDCs. The program worked out (August 2001) the bill amount in respect of few services wrongly despite entering of correct data. The vendor's acceptance of the above lapse in thoroughly testing the program indicated that the program was not fully tested before its use.

3.2.31 A test check of security deposit assessment in respect of EDC Chennai (North), revealed that the computer generated security deposit figures were replaced by the EDC to arrive at the correct security deposit figures. It indicated that data amendments in the EDC had not been done with prior authorisations. Neither the EDC formally communicated the data amendments to the computer centre nor the server detected such amendments through the program.

The Board stated (May 2004) that the observations were noted for future guidance.

Conclusion

The application, which was implemented after a delay of eight months, contained various design deficiencies and a number of billing components were left beyond the scope of the software. Deficiencies in change management controls were also observed during audit.

The organisation needs a systematic documentation of all amendments made to the software and bring all aspects of HT billing under the application. The application should have a module on energy audit provisions so that compliance thereto is monitored through the program and punitive measures are systematically initiated. The Board could use the information generated through the computerised system periodically to review the effectiveness of incentive schemes.

CHAPTER-IV

4 Transaction Audit Observations relating to Government companies and Statutory corporations

Important audit findings noticed as a result of test check of transactions made by the State Government companies/Statutory corporations are included in this Chapter.

Government companies

Tamil Nadu Civil Supplies Corporation Limited

4.1 Excess purchase of gunnies

Purchase of gunnies in excess of requirement resulted in blocking up of Rs.6.11 crore and consequent interest loss of Rs.91.65 lakh.

The Company expected (July 2002) to procure 12 lakh MT of paddy during the Kuruvai 2002 (October to December 2002) and Samba 2003 (January to May 2003) seasons. After taking into account the stock of gunnies available, the Company decided (July 2002) to invite tenders for supply of 180 lakh - 50 kg new bale gunnies. In view of low crop, the Company decided (16 October 2002) to restrict purchase of new gunnies to 140 lakh. The Company, accordingly, issued (October 2002) purchase orders and 139.74 lakh gunnies were received from October to December 2002.

Audit observed that while working out the requirement of gunnies, procurement of paddy during Samba 2003 season was estimated at 10.90 lakh MT instead of 10 lakh MT. Further, gunnies of 100 kg capacity (56.69 lakh) were wrongly considered as 50 kg gunnies. This resulted in purchase of 40.99 lakh gunnies in excess of the anticipated requirement.

The excess purchase of 40.99 lakh gunnies by the Company resulted in blocking up of Rs.6.11 crore (computed with reference to the average unit cost of Rs.14.90 per gunny) and consequent interest loss of Rs.91.65 lakh.

The Government stated (July 2004) that 140 lakh gunnies were ordered based on the assessment report on the anticipated marketable surplus, received from the Agriculture Department of the State Government, in which the Commissioner had indicated the anticipated marketable surplus as 10.90 lakh MT of paddy for Samba 2003 season.

The reply is not correct as the letter received from the Commissioner, Agriculture Department was of December 2002, whereas the Company took the decision and placed the order for purchase of 140 lakh gunnies in October 2002.

4.2 Avoidable transportation charges

Avoidable expenditure of Rs.60.26 lakh on transportation of rice in Tiruvannamalai region

The Company gets periodical allotment of rice from Government of India under Targeted Public Distribution System (TPDS). The Company is then required to give dispatch instructions to Food Corporation of India (FCI) indicating the depot from which the rice would be lifted. FCI, based on these dispatch instructions, allots the quantity to various Divisional Offices. The Company has to lift the allotted rice from the nearest depots of FCI so as to minimise transportation cost.

Audit observed that for Tiruvannamalai region (having six godowns) lifting of rice from FCI depot, Sevoor was beneficial as the maximum distance to be traversed from any of these godowns in the region to Sevoor was 96 km, whereas the distance from any of these godowns to Avadi was higher ranging from 114 to 206 km. A review of the quantum of rice lifted (2,55,272 MT) in the above region during 2000-04 indicated that the region, in addition to lifting of rice from FCI depots within the region, lifted 65,209 MT rice from FCI depot, Avadi (Chennai region). This resulted in avoidable expenditure of Rs.60.26 lakh on transportation of 65,209 MT of rice during the said period.

The Company stated (December 2003) that as the allotted quantity of rice had to be lifted within the specified period, it was necessary to lift the allotted quantity from more than one FCI depot to avoid lapse of allotment. The reply is not tenable in view of the fact that the sub-allocation of depots was being done by the Company and care should have been taken to lift the quantity of rice from the nearest FCI depots to avoid higher expenditure on transportation.

The matter was reported to the Government in June 2004. The reply is, however, awaited (September 2004).

4.3 Avoidable expenditure

Avoidable expenditure of Rs.28.42 lakh in relocating of a Modern Rice Mill

The Company owned two Modern Rice Mills (MRMs) at Kallakurichy in Villupuram District. It was decided (January 2001) to shift the parboiling unit, boiler and the connected main mill machinery of one of the two MRMs to

godown complex at Tirukoilur due to public complaints of air pollution and insistence of Tamil Nadu Pollution Control Board. As the processing of parboiled rice was water intensive, it was felt that the water from 35 deep feet open well with 15 feet water level in the godown complex would be sufficient to meet the requirement.

The MRM was re-established (December 2001) at a cost of Rs.28.42 lakh at the godown complex at Tirukoilur. The processing of parboiled rice could not commence in the new location as the required water was not available from the open well in the complex. The Company deepened the open well, but it did not improve the availability of water. Audit observed that the Company ignored the recommendation of the geological survey (conducted in August 2001) to sink a separate borewell to a depth of 16 metres to improve the availability of the water. As a result, the Company was not able to commence hulling of parboiled rice but commenced (December 2001) operation of hulling raw rice only, which could have been carried out in the old location itself.

The failure of the Company to properly assess the availability of water in the new site at Tirukoilur resulted in avoidable expenditure of Rs.28.42 lakh in shifting and re-erection of the MRM.

The Government stated (August 2004) that at the time of proposal, there was availability of water. The reply is not tenable as the report of the geological survey (August 2001) recommended sinking of an open bore-well up to a depth of 16 metres indicating that availability of water from existing well was doubtful.

State Industries Promotion Corporation of Tamil Nadu Limited

4.4 Undue benefit to private parties

The Company revised its policy to accommodate two private parties resulting in an undue benefit of Rs.6.65 crore.

The Company allots land/industrial plots to entrepreneurs for development of industries and enters into long term lease agreement with the allottees for this purpose. The Company has laid down its policy as contained in its order dated 22 August 1999, which was approved by the Board. As regard change in management of allottee units, it *inter alia*, mentioned:

- In the case of functioning units, which had completed five years of production, if the allottees transferred more than 50 *per cent* of the assets/shares to the new promoters, the same would be permitted on collection of 50 *per cent* of differential premium (difference between the rate at which the allotment was made and the rate prevailing on the date of change of management).

- In the case of units, which have not commenced production or the units, which have not completed five years of production, permission to transfer the plot may be given only on payment of entire differential premium.

The Company revised (February 2002) the above policy in respect of Public Limited Company to provide for recovery of 10 *per cent* of the prevailing plot cost and minimum of Rs.2,000, when there has been a change in management to a third party and where more than 51 *per cent* of the shares were transferred.

Audit observed that in respect of two private parties where the change in management took place in March 2000 and October 2001, the Company applied the revised policy with retrospective effect, thus extending undue benefit of Rs.6.65 crore as discussed below:

4.4.1 The Company, on the basis of orders of the State Government, allotted (July 1995) 137.70 acre of land to Thapar Dupont Limited (TDL) at a concessional rate of Rs.4.50 lakh per acre as against prevailing rate of Rs.6.40 lakh per acre. TDL commenced commercial production in December 1997.

TDL sold (October 1999) its entire share holdings to Shriram Fibres Limited (SRF). SRF changed the name of the new unit as Tyrecord Fabric Limited (TFL) and got the unit registered with the Registrar of Companies on 6 March 2000.

Audit observed that the Company did not collect the differential premium (based on prevailing land cost in March 2000 of Rs.12 lakh per acre) of Rs.10.32 crore due to change in management as per its existing policy of August 1999 after receipt (November 1999) of TDL request for issue of "No Objection Certificate". The Company, instead, decided (December 2002) to collect Rs.4.26 crore as differential premium as per its revised policy of February 2002.

This resulted in an undue benefit of Rs.6.06 crore to TFL (Rs.10.32 crore - Rs.4.26 crore).

4.4.2 The Company had allotted (January 1981) 15.09 acres of land in its industrial complex, Hosur to Hindustan Teleprinters Limited (HTL), a Government of India Undertaking on lease cum sale basis at Rs.16000 per acre for setting up a project for the manufacture of computer peripherals and electronic typewriters.

The management of HTL changed (October 2001) hands to Himachal Futuristics Communications Limited (HFCL) as Government of India disinvested 74 *per cent* of its equity shares in favour of HFCL. The differential premium as per existing policy of August 1999, worked out to Rs.74.24 lakh. The Company, however, while approving (May 2003) the change in the management decided to collect 10 *per cent* of the prevailing plot cost *i.e.,* Rs15.09 lakh from them as per the revised policy framed in February 2002. This resulted in undue benefit of Rs.59.15 lakh to HFCL.

The matter was reported to the Company/Government in June and August 2004. The reply is, however, awaited (September 2004).

Poompuhar Shipping Corporation Limited

4.5 Wasteful expenditure

Delay in payment of hire charges resulted in wasteful expenditure of Rs.34.52 lakh.

The Company chartered (20 April 2002) the ship M.V. 'Jin Li' for a period of three months from the date of delivery for transport of the coal for Tamil Nadu Electricity Board (Board) on a charter hire of US dollar 9,100 per day. As per Clause 5 of the charter party agreement, the hire charges were to be paid in advance for every 15 days. Failure to pay hire charge in time would allow the owner to withdraw the vessel from the service of the charterer.

The Company took delivery of the ship on 9 May 2002 at Tuticorin port. The Company paid the charter hire charges for the first 15 days (9 May 2002 to 23 May 2002) on 22 May 2002 and the second charter (for 24 May 2002 to 7 June 2002) hire payment, which was due on 24 May 2002, was paid on 10 June 2002. Due to delayed/non-payment of charter hire charges as per the agreement, the captain of the ship (under instructions from the owner) stopped loading of coal on 5 June 2002 at Paradip port. At the time of stoppage of loading, the vessel had loaded only 9,132 MT as against the quantity of 17,175 MT to be loaded. Paradip Port Authorities instructed the vessel either to recommence loading or to leave the port, as the vessel was idling in the berth without loading. The vessel moved to outer anchorage of Paradip Port on 6 June 2002 and remained there till 7 June 2002. After getting instructions from the Company, the vessel sailed from outer anchorage to Tuticorin on 7 June 2002, without loading the balance quantity of 8,043 MT of coal. The vessel was released on 4 August 2002 after completion of the charter.

Audit observed that stoppage of loading and moving of vessel without full loading resulted in idle expenditure of Rs.34.52 lakh (US dollar 75,065.53 at Rs.46 per US dollar) on vessel hire charges and short carrying of coal, which could have been avoided had the charter hire charges been paid in time.

The Government stated (May 2004) that the charter party did not specify anywhere that the Master or the owner had the right to stop work in the event of non-payment of hire charges. It only talked of "lien on cargo" or "giving three days notice of withdrawal from charter," if the Company failed to comply with their obligations contained in the charter party.

The reply is not tenable, as Clause 5 of the charter party clearly mentioned that the owners shall be at liberty to withdraw the vessel from service of the charterers due to non-receipt of payment in time. The Company was, thus, well aware of the effects of delayed payment of hire charges.

Tamil Nadu Minerals Limited

4.6 Avoidable expenditure

Avoidable expenditure of Rs.40.41 lakh on hiring of excavators due to delay in purchase of own excavators.

The Company uses excavators for production and development activities in its quarries situated in different districts of the State. As the Company did not have adequate number of own excavators, the Company hired on an average 15 excavators from private parties up to March 2002.

The Company observed (March 2002) that operating own excavator in place of a hired excavator was beneficial as it could result in annual saving of Rupees seven lakh per excavator in view of lesser operating cost of Rs.900 per hour for own excavator as against the hiring cost of Rs.1,250 per hour of an excavator. Audit observed that though the Company had fixed deposits of more than Rs.14 crore with banks as on 31 March 2002, the Company procured only five excavators in October 2002 at a cost of Rs.1.49 crore. Thereafter, the Company procured six more excavators (one in March 2003 and five in January 2004), at a total cost of Rs.1.96 crore. The Company continued to hire excavators from private parties to meet out the requirement.

The decision to buy only five excavators in October 2002 and remaining six excavators in March 2003 and January 2004 instead of buying all 11 excavators in October 2002 was not justified in view of availability of surplus funds with the Company. Had the Company purchased the total requirement (11 numbers) in October 2002, it could have saved Rs.40.41 lakh on hiring of excavators during 2003-04.

The Company stated (June 2004) that they had to procure two tippers for each excavator and purchase of both the items of machinery for all the quarries were to cost a huge expenditure of Rs.17.70 crore. It was also stated that to purchase more excavators, they would incur heavy interest loss due to premature closure of deposits and it would involve indirect cost like salary to drivers, operators, and cleaners, expenditure towards diesel and oil *etc*. The reply is not tenable as the Company had all the 11 excavators with out tippers. It is pertinent to state that the interest on investment in excavators and increase in indirect cost was already considered by the Company while working out the savings in using its own excavators.

The matter was reported to the Government in June 2004. The reply is, however, awaited (September 2004).

State Transport Undertakings

4.7 Avoidable extra expenditure

Failure to apply for eligible lower power tariff resulted in avoidable extra expenditure of Rs.47.49 lakh.

As per the tariff structure of Tamil Nadu Electricity Board (TNEB), service connections classified under Tariff-IA (High Tension (HT) service connections for registered factories) always attracted a lower tariff per unit of consumption compared to the service connections classified under Tariff-III (commercial establishment). Because of this difference in tariff, the State Transport Undertakings (STUs) represented to TNEB to charge the electricity consumption in HT service connections of STUs production units and body building units under Tariff-IA instead of under Tariff-III. TNEB issued instructions (June 2002) that all HT services of STUs may be charged under HT Tariff-IA prospectively provided they produce Registered Factory Licence or any Industrial Certificate to confirm that they were industrial establishments as per Tariff Notification in vogue.

Audit observed that though the production and body building units in two State Transport Undertakings♦ were registered as factories and possessed valid factory licences issued by the competent authorities, they failed to approach TNEB to charge the electricity consumptions in these units at Tariff-IA as per the instructions issued in June 2002.

This resulted in payment of electricity consumption charges of Rs.47.49 lakh at the higher Tariff-III rates from July 2002 to March 2004.

The matter was reported to the Company/Government in May 2004. The reply is, however, awaited (September 2004).

♦ Tamil Nadu State Transport Corporation (Coimbatore – Division-I) Limited and Metropolitan Transport Corporation Limited.

Statutory corporations

Tamil Nadu Electricity Board

4.8 Deficiencies in Internal Control and Internal Audit System

Introduction

4.8.1 Internal control is an integral process that is effected by an entity's management and personnel and is designed to provide reasonable assurance that the general objectives are being achieved; fulfilling accountability obligations, complying with applicable laws and regulations, executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss. A good system of internal control should comprise *inter alia* proper allocation of functional responsibilities within the organisation, proper accounting data, efficiency in operations and safeguarding of assets, quality of personnel commensurate with their responsibilities and duties and review the work of one individual by another, whereby possibility of fraud or error in the absence of collusion is minimised.

The supreme decision making body in the Board consists of four full time Members including the Chairman and three part time Members. The three full time Members are in charge of Generation, Distribution and Accounts.

In order to exercise internal control upon its multiple activities and ensure effective management information system, the Board has different manuals and prescribed various returns for each functional area to ensure compliance with instructions, rules and procedures. With a view to checking the extent of internal control, Audit test checked records relating to material management, finance and accounts wings. The deficiencies noticed during test check are discussed in the succeeding paragraphs.

Material Management

Deficiencies in Internal control system

4.8.2 In material management the Board has prescribed the following controls to keep inventory at the minimum level:

- Adoption of 'Just in Time' Management (JIT) to reduce inventory cost,
- Periodical review of receipt of materials and their usage,
- Immediate disposal of scraps and empties,

- Acceptance of devolution/retrieved unused materials,
- Reduction of delay in check measurement,
- Disposal of obsolete/non-moving materials vis-à-vis review of materials lying in stores for more than three years, *etc*.

Audit observed that:

4.8.3 Inventory level in 30 circles exceeded the maximum limit prescribed by the management. The value of obsolete and non-moving stock as on 31 March 2004 (Rs.7.18 crore) increased by 21.04 *per cent* as compared to the previous quarter ended 31 December 2003. Forty two *per cent* of the value of obsolete and non-moving stock was contributed by only five circles*.

4.8.4 Failure of General Construction Circle, Chennai to post a suitable stores custodian in Sriperumbudur 'B' stores resulted in shortage of Rs.39.35 lakh in 374 items and an excess of Rs.85.15 lakh in 1,300 items.

4.8.5 When a successful bidder in an auction at Sriperumbudur for sale of scrap material came to lift the material, a quantity of 4,300 kgs against 9,046 kgs sold was not made available to the bidder. The Executive Engineer of the Sriperumbudur Division of the Board stated that 3,700 kgs of this scrap material were used for departmental works. For balance 600 kgs of scrap, no information was made available. This indicate absence of internal control over accountal and sale of scrap.

Finance and accounts

4.8.6 The Board raised funds amounting to Rs.38.48 crore through borrowings from various financial institutions during 2001-03. The purpose and their usage of borrowing were not subjected to audit by Internal Audit Wing of the Board. Audit observed that the Board paid commitment charge of Rs.2.34 crore (2001-03) for non-drawal of loan as per schedule indicating that the funds were drawn without proper assessment of its requirement.

4.8.7 An assessor in Nazereth Section office of Sriperumbudur Revenue Branch misappropriated Rs.5.12 lakh during the period 1996-2000. This happened due to non-following the instructions contained in the revenue manual like review of daily cash collection, reconciliation of current consumption charges entered in the green meter card with the actual payment, rotation of personnel, *etc*.

* Basin Bridge Gas Turbine Power Station (BBGTPS) (Rs.81.02 lakh), Kanyakumari Distribution Circle (Rs.67.67 lakh), General Construction Circle, Chennai (Rs.70.25 lakh), Tuticorin Distribution Circle (Rs.51 lakh) and Madurai Distribution Circle (Rs.32.37 lakh).

4.8.8 A Revenue Supervisor of Peelamedu Section in Coimbatore Revenue Branch misappropriated Rs.7.36 lakh during the period June 2000 to January 2003. Audit observed that this Revenue Supervisor was punished earlier for misappropriation in a smaller section office. Despite this, he was posted to a heavy collection center, *viz.*, Peelamedu Section. Further, the collection details by Revenue Supervisors were not checked by Junior Engineer/Assistant Engineer of the Board on daily basis as prescribed in the Revenue Manual.

4.8.9 Though the value of gross fixed assets of the Board amounted to Rs.14,558.45 crore as on 31 March 2003, the Board did not have an effective internal control system over these assets as:

- In 18 Electricity Distribution Circles, fixed assets registers had not been maintained at all.
- Fixed assets verification was not monitored centrally by the Board.
- The Board had not taken effective steps to reconcile the fixed assets registers with the results of physical verification.

Internal Audit

4.8.10 Internal auditing is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems.

Internal Audit of the Board is carried out by its internal audit wing *viz.,* Board Office Audit Branch (BOAB). Internal Audit wing was formed (1977) as per Section 69 (1) of The Electricity Supply Act, 1948. It was renamed as Board Office Audit Branch with effect from 1 December 1997 with its Headquarters at Chennai. The Board Office Audit Branch is headed by the Chief Internal Audit Officer and is assisted by Deputy Chief Internal Audit Officers, Internal Audit Officers, Assistant Audit Officers and other supporting staff.

Audit work is conducted at the various units of the Board *viz.,* Electricity Distribution Circles, Revenue Branches, General Construction Circles, Power Generating Stations (Hydel), *etc.* Besides this, appraisal audit, special audit, authorisation and verification of pension to the retired/retiring employees of the Board and concurrent audit of the four thermal power stations are also conducted by the BOAB. Audit parties conduct audit of both revenue and expenditure of the Board both at the unit level and at Headquarters office of the Board.

After completion of audit, the Audit Report is issued to the Superintending Engineer, chief of the respective circles. Important Audit points are reported quarterly to the Chief Internal Audit Officer by Deputy Chief Internal Audit Officers, who in turn reports such important issues to the Chairman of the Board quarterly and annually.

Formation of Regional Audit Offices

4.8.11 In order to improve the functioning of the BOAB and to expedite the clearance of pending audit observations, Board decentralised BOAB by forming (April 1996) four Regional Audit Offices at Chennai, Villupuram, Madurai and Coimbatore each headed by a Deputy Chief Internal Audit Officer. Four more Regional Audit Offices were formed (January 1999) at Vellore, Trichy, Erode and Tirunelveli. Audit observed that the formation of Regional Audit Offices, however, did not make much headway in the clearance of pending audit observations.

As on 31 March 1999, 3,558 Inspection Reports (IRs) containing 15,578 paras (audit observations) with a money value of Rs.7.67 crore were pending for clearance against the IRs issued prior to 31 March 1994. Only 951 IRs (27 *per cent*) and 4,752 paras (31 *per cent*) with a monetary value of Rs.1.33 crore (17 *per cent*) were settled up to March 2003.

Audit plan and programme

4.8.12 Major audit work of BOAB is carried out at Circle level (Expenditure audit and High Tension Revenue audit), Revenue Branch Level (Low Tension Revenue Audit), General Construction Circles level (Expenditure audit) and Generation Stations level (thermal, hydel, *etc*). Deputy Chief Internal Audit Officers of the regions are delegated with powers to draw quarterly audit programmes of the audit parties attached to them. They also approve and issue inspection reports. Each region is having six audit parties except Chennai region, which has eight audit parties. The total number of units to be audited every year is 326.

Based on the adhoc allocation of party days *viz*., 40 party days for LT revenue and entitlement audit, 35 party days for expenditure audit, *etc*., the number of party days required for the audit of all the units in the Board in a year works out to 11,870 party days. A test check of the programme of regional audit parties revealed that as against the requirement of 11,870 party days for completion of audit of all the units, the number of party days available was 14,150 (283 working days in a year X 50 parties). Despite the availability of party days in excess of requirement, the regional audit parties failed to audit 121 units during 2002-03. This clearly indicate that the programmes drawn and party days utilised were not reviewed to fix standards on scientific basis and that party days were also utilised for other than audit work.

Performance of Internal Audit Wing

4.8.13 The performance of the Internal Audit Wing (BOAB) during the four years ended 31 March 2003 is given in **Annexure-20**.

From the Annexure, it could be seen that the clearance of pending audit paras was poor and also the number of paras issued was always more than the number of paras cleared/settled. Further, the number of outstanding paras more than doubled in Regional Audit parties and remained almost static in concurrent audit parties. This indicated that BOAB had not taken effective steps to settle/clear old IRs/Paras. Even the money value of pending audit observations had increased four fold in both the cases. The position in respect of concurrent audit party in Poompuhar Shipping Corporation Limited was alarming where the settlement/clearance of audit observations was almost NIL. Unless immediate and effective steps are taken to clear the pending audit observations and collect the amounts involved (Rs.118.35 crore), the prospect of recovery of these amounts would be bleak.

Authorisation and verification of pension

4.8.14 BOAB authorises pension for the retiring employees of the Board and also makes arrangements for the payment of pension to them through about 800 branches of Indian Overseas Bank (IOB) throughout the country. Monthly pension statements are prepared by BOAB and sent to the Chief Financial Controller of the Board for providing the required funds to the IOB branches.

During 1 April 1999 to 31 December 2003, one Deputy CIAO and 54 officials of BOAB were exclusively engaged for authorisation and verification of pension payments and out of 25,052 pension cases received during this period, 24,855 cases were cleared. Though authorisation of pension is not an audit function, the same was done by BOAB since its inception in 1977. BOAB also conducts audit of pension payments in Banks. The main audit checks carried out relate to verification of life and non-remarriage certificates, surrendering of funds back to the Board in respect of non-operative accounts, *etc.* Audit observed that in respect of pension payment to 2,022 pensioners, who were receiving their pension through IOB branches outside the State, no checks were carried out by BOAB.

Deficiencies in Audit coverage

4.8.15 One of the main functions of Internal Audit Wing of an organisation is to ensure that the systems and arrangements are effectively in place and that they are scrupulously followed. Internal Audit Wing has to examine all these aspects and report to the management any lapse/failure so as to enable the management to take corrective action.

A review of audit programmes of BOAB's Chennai Region and Headquarters office revealed the following:

1. Office of the Chief Financial Controller of the Board which is functioning in Chennai (Headquarters of the Board) handles the important areas like resource mobilisation, funds mobilisation, central payments (for

purchase of power, stores, fuel, *etc*) distribution of funds to the units of the Board, transfer of funds to Headquarters by the units, *etc*. Audit observed that these major areas were not subjected to audit by BOAB. During 1999-2003, the Board raised funds amounting to Rs.1,364.48 crore through market borrowings and this aspect was not covered by BOAB to check the regularity and propriety aspects. Similarly, the Board also borrowed funds from financial institutions, which were also not subjected to audit by BOAB.

2. In order to bridge the gap between demand and supply, the Board purchases power from windmill power generators, co-generation plants, independent power producers (IPPs) and Neyveli Lignite Corporation Limited (NLC). Payments for these purchases account for about Rs.250 crore per month. Audit observed that these payments were not audited by BOAB regularly or randomly. During examination of Power Purchase Agreements (PPAs) with IPPs, Audit noticed overpayment of Rs.45.78 crore (refer to paragraphs 4.9 and 4.12 *supra*).

Non compliance with recommendations of Committee on Public Undertakings

4.8.16 Committee on Public Undertakings (COPU) in its 28th Report recommended (April 1997) to take all possible steps to strengthen internal audit wing of the Board (BOAB) by

- Fixing norms for staff requirement in BOAB.
- Strengthening of BOAB by posting additional manpower and also inducting technical staff in the appraisal audit work.
- Relieving BOAB of all accounting functions so to enable it to concentrate on audit work.

The Committee also wanted to be appraised of the steps taken to increase the quantum of check in respect of Cash Book and connected records so as to ensure a coverage of 50 *per cent* of the Section Offices in the Revenue Branches of the Board in an audit period of two years.

An analysis of the action taken by the Board on the above recommendation revealed the following:

4.8.17 The Board informed (13 April 1998) COPU that fixing of norms for staff requirement was under detailed study and that orders would be issued in due course. The Board, however, had not issued any orders on the subject so far (August 2004). The Board also informed COPU that a proposal was under scrutiny for sanctioning additional manpower to BOAB based on audit plan and requirement. This also has not been done and on the other hand the staff strength of BOAB had been reduced from 437 in 1991-92 to 378 in 2003-04.

4.8.18 The Board informed COPU that its observations were taken note of for inducting technical staff for audit appraisal work as and when required. Audit observed that only seven technical staff had been inducted into the BOAB and

that too for looking after the work relating to flying squad. No technical staff was attached to BOAB for conducting appraisal audit.

4.8.19 The Board also stated that action would be taken to form a separate pension wing by separating it from BOAB and that staff deployed for audit work would not be diverted for pension work and other non-audit functions. Audit observed that pension work continued to be handled by BOAB (March 2004) and for this staff of 55 of BOAB were exclusively employed.

4.8.20 In respect of increase in quantum of check so as to cover atleast 50 *per cent* of Section Offices in the Revenue Branches, no action has been taken by the Board. This is evident from the fact that only four Section Offices were covered (March 2004) in an audit period of two years, which represent only 29 *per cent* coverage.

The matter was referred to Government/Board in July 2004. The reply is, however, awaited (September 2004).

4.9 Irregular payment of Income Tax

Irregular payment of Income Tax of Rs.40.19 crore against the terms of the agreement.

Tamil Nadu Electricity Board (Board) entered (November 1996) into a Power Purchase Agreement (PPA) with ST-CMS Electric Company Private Limited (Generating Company) for purchasing power from the latter's plant at Neyveli in Cuddalore district. The PPA provided for payment of taxes to the Generating Company as one of the fixed capacity charges.

As per clause 2 (a) (iv) of schedule 3 to PPA, the Generating Company has to reasonably estimate the tax liability due for payment during the relevant year and based on the above, claim monthly payment from the Board. PPA also stipulated that during any year, the total amount of taxes paid by the Board should not exceed the actual payment made by the Generating Company during such year.

The Board admitted the estimates of the Generating Company for Income Tax and paid a sum of Rs.7.43 crore (during January* to March 2003) through monthly bills. Audit observed that the Generating Company did not provide for liability for Income Tax in the accounts for 2002-03 due to losses. The Generating Company also disclosed in the accounts that they were availing the benefit of tax holiday available for ten years commencing from 1st April 2003, indicating no tax liability for the year 2003-04 also. Ignoring the above material information, the Board continued to admit the monthly claims

* The plant started generation in December 2002.

preferred by the Generating Company for Income Tax and paid a total sum of Rs.32.76 crore during 2003-04 also.

The payment of Rs.40.19 crore on account of Income Tax by the Board, without ensuring the correctness of the estimates made by the Generating Company and even after certification of accounts of Generating Company for 2002-03 in June 2003, was irregular particularly when the PPA stipulated for not making any payment in excess of taxes paid by the Generating Company.

The matter was reported to the Board/Government in June 2004. The reply is, however, awaited (September 2004).

4.10 Delay in procurement of rotor

Inordinate delay by the Board in placing order for procurement of rotor resulted in generation loss of 378 million units and loss of contribution of Rs.28.56 crore.

A reference is invited to Paragraph 3.11.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 – Government of Tamil Nadu (Commercial), wherein Audit observed that though a decision was taken by the Board to procure new rotors {Low Pressure (LP), Medium Pressure (MP) and High Pressure (HP)} for unit III of Ennore Thermal Power Station (ETPS) in June 2002 itself, no orders were placed till August 2003. Audit further observed that purchase order for procurement of LP, MP and HP rotors (one each) was placed (August 2003) on Bharat Heavy Electricals Limited (BHEL) at a total cost of Rs.10.87 crore, the delivery schedule being 18 months from the date of purchase order.

Unit-IV of ETPS was shut down on 27 September 2003 due to technical problems. On detailed inspection the LP rotor was found defective. As the rotors were to be received after 18 months, the Board purchased (December 2003) a second hand LP rotor from Andhra Pradesh Generation Corporation Limited at a total cost of Rs.1.50 crore and fitted the same in Unit-IV. The unit was synchronised on 11 December 2003. On the very same day, after working for about two hours, very high vibrations were noticed in the turbine and the unit tripped on 12 December 2003. Suspecting major damages, the turbine of the unit was dis-assembled. The special Committee constituted to offer opinion on the probable cause for failure and suggest measures to avoid recurrence, reported (January 2004) *inter alia*, that the LP rotor was damaged and needed to be replaced. The unit is yet to be put back in operation (September 2004).

Audit observed the following:

- Though BHEL advised the Board to procure LP rotor as early as in January 2001, it did not take any immediate action. It was only after LP rotor of Unit-III failed in April 2002 that the Board decided (June 2002) to procure LP, MP and HP rotors.

- The Board further delayed the placement of purchase order for the rotors and placed the same in August 2003 only, *i.e.*, after an inordinate delay of 14 months. The rotors were yet to be received (September 2004). Because of the shut down of Unit-IV (for want of LP rotor), there has been a generation loss of 47.25 million unit (MU) per month and loss of contribution of Rs.3.57 crore per month.
- Considering huge generation loss and loss of contribution that the Board suffered in April and May 2002 due to the shut down of Unit-III for want of rotor, the Board should have initiated timely action to place the purchase order at least immediately after having decided on the procurement, *viz.*, June 2002. Had it done so, the rotor could have been received by the end of December 2003 and the generation loss of 378 MU and loss of contribution of Rs.28.56 crore in Unit-IV from January 2004 to August 2004 could have been avoided.

The matter was reported to the Board/Government in June 2004. The reply is, however, awaited (September 2004).

4.11 Avoidable extra expenditure on interest

The Board incurred avoidable extra expenditure of Rs.4.25 crore due to its failure to accept reduction in interest rates.

The Board obtained five loans aggregating Rs.150 crore from Life Insurance Corporation of India (LIC) between April 1992 and March 1997 for non-plan schemes carrying interest rate of 17 *per cent* and 18 *per cent per annum* and repayable in 15 years

In order to increase its borrowing power under plan schemes by reducing its borrowings under non-plan schemes, the Board sought (December 1999) the permission of the LIC for foreclosing all the outstanding loans aggregating to Rs.98 crore as on that date under non-plan schemes. LIC did not agree to the proposal but however, offered (May 2000) to reduce the rate of interest to 14 *per cent* for the outstanding period of loan subject to upfront payment of Rs.3.62 crore. The Board did not accept (July 2000) the offer, but insisted on the concurrence of LIC for the prepayment of the entire outstanding loan under non-plan schemes.

The LIC did not agree to this proposal and finally, the Board requested (June 2003) LIC to restructure the high cost loans (Rs.60 crore) carrying higher interest rates by substituting them with new loans at current rate of interest. LIC agreed (September 2003) to reduce the interest to 11 *per cent* subject to payment of Rs.4.70 crore as upfront fee, being 50 *per cent* of the net present value of interest loss to LIC.

Audit observed that the cash outflow by way of upfront fee and interest for the period from July 2000 to maturity of loan would have been Rs.64.19 crore

only, had the Board accepted offer of LIC in May 2000 as against cash outflow of Rs.68.44 crore consequent to the acceptance of LIC decision in September 2003. This resulted in an additional cash outflow of Rs.4.25 crore.

Failure of the Board to accept the reduction in interest rates originally offered by LIC in May 2000, thus, resulted in avoidable extra expenditure of Rs.4.25 crore.

The matter was reported to the Board/Government in April 2004. The reply is, however, awaited (September 2004).

4.12 Undue benefit to an independent power producer

Board extended an undue benefit of Rs.5.59 crore to an independent power producer towards interest on working capital and return on equity.

Tamil Nadu Electricity Board (Board) entered (May 1998) into a Power Purchase Agreement (PPA) with Balaji Power Corporation Private Limited (Generating Company) for purchase of power from the latter's power plant at Samayanallur in Madurai district.

Audit observed that Board extended undue benefit of Rs.5.59 crore to this Generating Company towards interest on working capital and return on foreign equity contribution as discussed below:

Undue benefit of Rs.4.70 crore as interest on working capital

4.12.1 The Board prior to entering into this PPA, informed (January 1997) the Generating Company that if the fuel cost was to be paid in advance, working capital for fuel consumption for one month could be allowed.

Fuel Supply Agreement (FSA) entered (December 1997) into by the Generating Company with Indian Oil Corporation Limited (IOC) stipulated that for fuel supplies made during a month, payment was to be made on 15th of the month. This meant that the Generating Company enjoyed credit for the first half of a month and made advance payment for the second half of the month and as such, the Generating Company would not incur expenditure towards interest on working capital on fuel consumption. Despite this, Board included (May 1998), a provision for payment of interest on working capital for one month's fuel consumption in the PPA.

This resulted in undue benefit of Rs.4.70 crore to the Generating Company during September 2001 (when the Generating Company started selling power to the Board) to March 2004. The Board is still continuing to make payment on account of interest on working capital.

Undue benefit of Rs.88.90 lakh as Return on Foreign Equity

4.12.2 The above PPA also provided for payment of Return on Equity (ROE) at 16 *per cent* on the equity capital including foreign equity and the payment thereto had to be made on the exchange rate prevailing at the year end (exchange rate variation protection).

As against the foreign equity contribution of US dollar 17.08 million for the project approved by Government of Tamil Nadu (March 2000), the Generating Company requested (January 2001) the Board to increase the foreign equity contribution to US dollar 22.11 million due to insistence by the lenders and conversion of a part of dollar debt to rupee debt. The Board agreed (January 2001) to this proposal but restricted the foreign exchange rate protection to US dollar 17.08 million only. This was agreed (March 2001) to by the Generating Company also.

Audit observed that the Board, however, did not restrict the exchange rate protection to US dollar 17.08 million as agreed to and instead extended the protection to the US dollar 22.11 million. This resulted in undue benefit of Rs.88.90 lakh to the Generating Company during 2002-2004.

The matter was reported to the Board/Government in June 2004. The reply is, however, awaited (September 2004).

4.13 Loss of revenue

Loss of revenue of Rs.3.20 crore due to non-collection of peak hour charges from HT consumers.

As per terms and conditions of supply of electricity, for the energy consumed during peak hours, High Tension consumers (Tariff-I) were required to pay 20 *per cent* extra on the energy charges. The HT consumers filed (between 2002 and 2003) Writ Petitions in the High Court, Chennai against the said levy of peak hour charges and obtained interim injunction against levy of charges. Based on the interim injunction, the peak hour charges already levied were either refunded or adjusted against subsequent consumption by the consumers.

The Writ Petitions were rejected (November 2003) by the High Court of Chennai. One of the HT consumers (Sivakasi Electro Chemicals Limited, Virudhunagar), however, filed a Writ Appeal Petition in the High Court of Chennai against recovery action initiated by the Board. The High Court while granting (April 2004) the stay against recovery action initiated by the Board, stopped the collection of peak hour charges up to 15 March 2003 only. The Court did not grant stay on collection of peak hour charges beyond 15 March 2003.

Audit observed that the Board did not collect peak hour charges from 15 March 2003 even though the interim injunction permitted collection of peak

hour charges for the period beyond 15 March 2003. A scrutiny of records in nine* Electricity Distribution Circles, indicated that peak hour charges of Rs.3.20 crore in respect of 55 HT consumers from April 2003 to April 2004 were not collected.

The matter was reported to the Board/Government in June 2004. The reply is, however, awaited (September 2004).

4.14 Avoidable expenditure

Board incurred an avoidable expenditure of Rs.2.68 crore on establishment of a sub-station at Ammayanayakanur.

Based on a request (July 1992) from Tamil Nadu Corporation for Industrial Infrastructure Development Limited (TACID), a Government of Tamil Nadu Undertaking, the Board accorded (August 1994) administrative approval for commissioning a 110/22 KV sub-station (SS) at Ammayanayakanur near Nilakottai with a transformer capacity of 10 Million Volt Ampere (MVA) exclusively to meet the requirements of TACID's industrial units to be set up at Nilakottai.

Though no application had been received for power connection from TACID's industrial units, the Board commenced construction of the SS in December 1997 and completed the same in February 1999 at a total cost of Rs.2.68 crore. As no application for power connection was forthcoming from TACID's industrial units even after commencement of construction of the Ammayanayakanur SS, Board decided (July 1998) to transfer loads from the nearby Ramarajapuram sub-station.

As no application for power supply was received from TACID industrial complex, 5,107 KVA load from Ramarajapuram SS (July 1999) and 1,376 KVA load from Sembatty SS (March 2000) were transferred to Ammayanayakanur SS. A load of 1,352 KVA of fresh load was also connected during 2000-04.

Even after these transfers, the utilisation of this SS was less than 50 *per cent* as revealed by the fact that the peak load reached was less than 5 MVA till 2002-03, which marginally increased to 5.25 MVA in 2003-04. It is also pertinent to point out that after transfer of loads from Ramarajapuram SS to Ammayanayakanur SS, the utilisation of Ramarajapuram SS dwindled to less than 50 *per cent* in 2000-01 and hence one out of the two 10 MVA transformers available in Ramarajapuram SS was transferred to Watrap SS.

* 1.Chennai Electricity Distribution Circle (EDC), West, 2.Chennai EDC, South, 3.Trichy EDC, North, 4.Madurai EDC, 5.Tuticorin EDC, 6.Coimbatore EDC, South, 7.Nagercoil EDC, 8.Vellore EDC and 9.Pudukottai EDC.

Thus, the decision of the Board to establish Ammayanayakanur SS resulted in an avoidable extra expenditure of Rs.2.68 crore besides recurring revenue expenditure of about Rupees one lakh per month towards establishment expenditure.

The Board stated (August 2004) that the establishment of the 110/11 KV Ammayanayakanur SS was inevitable as it had reduced voltage fluctuation problems in Ramarajapuram-Kullalagundu and Ramarajapuram mill feeder and that it had resulted in savings in line loss to the tune of 1.14 lakh units in 1999.

The reply is not tenable in view of the fact that the problem of voltage fluctuation could also be minimised/eliminated by installing additional distribution transformers instead of setting up a sub-station at such a huge cost.

The matter was reported to the Government in June 2004. The reply is, however, awaited (September 2004).

4.15 Blocking up of funds

Decision of the Board to procure pipes for augmentation of Upper Ash Dyke Area in Mettur Thermal power Station resulted in blocking up of Rs.1.63 crore and resultant interest loss of Rs.50.53 lakh.

Ash generated during generation of power in Mettur Thermal Power Station (MTPS) of the Board is disposed of in the form of ash slurry through pipelines into the ash dykes specially constructed for this purpose. For this purpose, the Board constructed two ash dykes, Lower Ash Dyke (LAD) and Upper Ash Dyke (UAD). The Board approved (March 1999) augmentation of UAD by acquiring 84.54 acre of patta land and 2,229.85 acre of poromboke land and laying of MS-ERW* permanent pipelines on pedastals.

Audit observed that the work of construction of pedestal laying and road formation was stopped in July 2000, after spending Rs.67.55 lakh because of agitation of villagers, whose land fell in patta area demanding suitable compensation and resettlement in good location. The Board did not acquire the land and was aware that the pedestal laying and road formation works could not be resumed in the near future. Audit observed that the Board, however, placed orders (May 2001), on Steel Authority of India Limited (SAIL) for the supply of 13,000 metres of MS-ERW pipes required for laying permanent pipeline at a cost of Rs.2.49 crore. SAIL supplied entire quantity by August 2001. As the augmentation of UAD could not be carried out, the Board utilised 4,489.71 metre pipes in carrying out repair in temporary pipeline system. Balance 8,510.29 metre pipes could not be utilised so far (September 2004).

* MS-ERW: Mild Steel – Electric Resistance Weld.

Thus, the decision to procure MS-ERW pipes even after knowing that the work of laying permanent pipes can not be carried out resulted in blocking up of Rs.1.63 crore and consequent interest loss of Rs.50.53 lakh (at 12 *per cent per annum* up to March 2004).

The matter was reported to the Board/Government in April 2004. The reply is, however, awaited (September 2004).

4.16 Undue benefit to two consumers

Failure to implement its own orders by the Board resulted in undue benefit of Rs.93.06 lakh to two consumers.

Government of Tamil Nadu (State Government) issued orders (July 1998) for replacement of the existing electromechanical meters in the Low Tension Current Transformer (LTCT) services with electronic meters, which had provision to record the maximum demand reached in a service connection during a particular billing period. Based on this Government order, the Board issued order (September 1998) stipulating that whenever the maximum recorded demand by the consumer exceeded the maximum sanctioned demand for LTCT services of 112 Kilowatt (KW), penalty shall be levied.

It was further stipulated that implementation of this order would be after fixing of electronic meters in the respective LTCT services.

Audit observed that these orders were not implemented in respect of the following two consumers:

Music Academy, Chennai

4.16.1 The consumer was given LTCT service connection (March 1966) as a special case for a sanctioned load of 350 Kilovolt Ampere (KVA) corresponding to 297.5 KW. An electronic meter was fitted in this service connection in October 2000. However, no action was taken by the Board till September 2002 to withdraw its exemption given in March 1966 and to limit the sanctioned demand in this service connection to 112 KW in line with its order of September 1998. During October 2000 to August 2002, no penalty was levied though the actual demand recorded by the consumer was far in excess of 112 KW, the maximum permitted for LTCT service connection. Even after restricting the sanctioned demand to 112 KW from September 2002 there was short billing resulting in undue benefit of Rs.81.99 lakh to this consumer during October 2000 to March 2004.

Narada Gana Sabha, Chennai

4.16.2 The consumer was given a LTCT service connection for a sanctioned load of 97 KW in February 1988. The consumer approached (April 1993) the Board for additional load of 60 KW. The consumer was sanctioned (April

1993) the additional load and was also allowed to continue as LTCT consumer. Thus, the total sanctioned load of the consumer was 157 KW.

An electronic meter was fixed in this service connection in December 2000. Though the recorded demand was far in excess of 112 KW after the installation of electronic meter also, no penalty was levied for exceeding this limit resulting in undue benefit of Rs.11.07 lakh to the consumer during the period January 2001 to March 2004.

Thus, failure of the Board to implement its own order resulted in undue benefit of Rs.93.06 lakh to these consumers.

The matter was reported to the Board/Government in April 2004. The reply is, however, awaited (September 2004).

4.17 Avoidable loss

Extension of undue concession to a consumer resulted in avoidable loss of Rs.40.53 lakh.

The Vijayakumar Mills Limited, Palani, a High Tension (HT) consumer of the Board (SC No.4) failed to pay the current consumption (CC) charges from December 1998 and the power to the consumer was disconnected on 1 February 1999. The Board issued the termination notice in May 1999 and the consumer did not come forward to avail of the supply by paying the dues to the Board. As on August 1999, the dues payable to the Board by the consumer aggregated to Rs.69.58 lakh after adjusting the current consumption deposit and interest thereon.

The Board permitted (November 1999) the consumer, on his request, to pay the arrears of CC charges in six equal monthly instalments. The Board also categorically stated that power supply could be effected as a new service connection only on clearing the entire arrears and on payment of all charges that were applicable to a new applicant. The consumer did not pay any amount till February 2000. The Board on the request of the consumer agreed (February 2000) to recover arrears in 10 instalments as against six instalments agreed in November 1999. The Board also reversed its earlier stand and agreed to effect a new HT service connection on payment of all charges that were applicable to a new service connection besides payment of first instalment of CC charges arrears.

Accordingly, a new service connection was extended (October 2000) to the consumer (SC No.223) on payment of first instalment of arrears (Rs.6.96 lakh) and the charges for a new HT service connection (Rs.17.6 lakh). After paying three more instalments of Rs.6.96 lakh each in November 2000, December

2000 and January 2001, the consumer defaulted in payment of arrears and consumption charges for the new service connection from February 2001 onwards. The new service connection also was disconnected on 16 March 2001 for non-payment of consumption charges. The total amount recoverable from the consumer as on March 2001 was Rs.64.02 lakh♣ (after giving credit for current consumption deposit of Rs.12 lakh paid in October 2000). This amount has not been recovered so far (September 2004).

The action of the Board in reversing its original stand and giving this consumer a new service connection even when he had not paid the arrears against the old service connection in full resulted in avoidable loss of Rs.29.80 lakh (being the arrears in new service connection) besides interest loss of Rs.10.73 lakh (computed at 12 *per cent per annum* from April 2001 to March 2004).

The matter was reported to the Board/Government in May 2004. The reply is, however, awaited (September 2004).

Tamil Nadu Warehousing Corporation

4.18 Wasteful expenditure

Non-utilisation of stacking machines resulted in wasteful expenditure of Rs.26.52 lakh

The Company, as a labour saving measure, decided (October 2000) to go in for automation of stacking and conveying of commodities in its warehouses. The Company placed orders (April 2002) on Taurus Conveyors, Hosur (Taurus) for the supply of two sets of stacking equipment at Rs.6.63 lakh per set, to be installed at the two warehouses (Vellore and Vridhachalam). The erection of the first set was completed and the trial run conducted in Vellore warehouse on 4 June 2002. Taurus, immediately after the erection of the first set in Vellore warehouse, informed the Company to increase the existing load of the power supply in the warehouse, since the same was found to be insufficient to operate the equipment. The second set was installed at Villupuram warehouse (instead of Vridhachalam) on 5 July 2002.

Audit observed that the Corporation did not take any action to increase the existing power load in these two warehouses. The Corporation, instead, purchased additional two sets of equipments for Dindugal and Mettupalayam warehouses without increasing the power load of these warehouses also to the

♣ includes current consumption charges of Rs.29.80 lakh and arrears of Rs.34.22 lakh.

required level for beneficial utilisation of the equipment. In absence of required power supply, all the four stacking equipment installed at a cost of Rs.26.52 lakh remained unutilised.

The matter was reported to the Corporation/Government in April 2004. The reply is, however, awaited (September 2004).

General

4.19 Follow-up action on Audit Reports

Outstanding Action Taken Notes

4.19.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executives. Finance Department, Government of Tamil Nadu issued instructions (January 1991) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on the paragraphs and reviews included in the Audit Reports within six weeks.

Though the Audit Reports for the years 1997-98, 1998-99, 1999-2000 2000-01 and 2001-02 were presented to the State Legislature in April 1999, May 2000, September 2001, May 2002 and May 2003 respectively, nine out of 19 Departments, which were commented upon, did not submit explanatory notes on 43 out of 139 paragraphs/reviews as on August 2004, as indicated below:

Year of Audit Report (Commercial)	Total paragraphs/review in Audit Report	Number of paragraphs/reviews for which explanatory notes were not received
1997-98	25	1
1998-99	29	5
1999-2000	28	13
2000-01	25	10
2001-02	32	14
TOTAL	**139**	**43**

Department-wise analysis is given in **Annexure-21**. Departments largely responsible for non-submission of explanatory notes were Industries and Small Industries. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and non-adherence of extant provisions.

Outstanding compliance to Reports of Committee on Public Undertakings

4.19.2 The replies to paragraphs were required to be furnished within six weeks from the presentation of the Report by Committee on Public Undertakings (COPU) to the State Legislature. Replies to 31 paragraphs pertaining to 22 Reports of COPU presented to the State Legislature between April 1999 and March 2004 had not been received as on August 2004 as indicated below:

Year of COPU Report	Total number of Reports involved	Number of paragraphs, where replies not received
1999-2000	3	4
2000-01	1	1
2001-02	3	4
2002-03	14	19
2003-04	1	3
TOTAL	**22**	**31**

Action taken on persistent irregularities in Audit Reports

4.19.3 With a view to assist and facilitate discussion of the paras of persistent nature by the State COPU, an exercise has been carried out to verify the extent of corrective action taken by the concerned organisation and results thereof are indicated in **Annexures 22 and 23**.

Government companies

Disbursement of loans amounting to Rs.2.49 crore without due verification of adequacy, validity, real worth and genuineness of collateral securities offered; sanction of loans in violation of guidelines amounting to Rs.9.69 crore by Tamil Nadu Industrial Investment Corporation Limited and investment of

funds of Rs.3.56 crore on unproductive projects by Tamil Nadu Small Industries Development Corporation Limited were included in the Reports (Commercial) of the Comptroller and Auditor General of India for the years 1997-98 to 2001-02, Government of Tamil Nadu. Action taken by the Companies/State Government on the irregularities as seen by Audit (September 2004) revealed that the action was belated and inadequate as per details in **Annexure-22** and that the irregularities were still persisting.

Statutory corporations

Irregularities by way extension of tariff concession in contravention of Government Orders (Rs.2.97 crore) and procurement of materials without planning and assessment of requirement (Rs.4.52 crore) in Tamil Nadu Electricity Board were included in Audit Reports (Commercial) of the Comptroller and Auditor General of India for the years 1998-99 to 2001-02, Government of Tamil Nadu. Action taken by the Board/State Government on the irregularities as seen by Audit (September 2004) revealed that the action were belated and inadequate as per details in **Annexure-23** and that the irregularities were still persisting.

The matter was referred to the Government in September 2004. The reply is, however, awaited (October 2004).

4.20 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective head of departments within a period of six weeks. Inspection reports issued up to March 2004 pertaining to 57 PSUs disclosed that 3,304 paragraphs relating to 759 inspection reports remained outstanding at the end of September 2004; of these, 241 inspection reports containing 857 paragraphs had not been replied to for more than two years. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2004 is given in **Annexure-24.**

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 16 draft paragraphs forwarded to the various departments during March to September 2004, as detailed in **Annexure-25** had not been replied to so far (September 2004).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials, who failed to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action

to recover loss/outstanding advances/overpayment is taken within prescribed time and (c) the system of responding to the audit observations is revamped.

(T.THEETHAN)
Accountant General
(Commercial and Receipt Audit)
Tamil Nadu

Chennai
The 6 APR 2005

Countersigned

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General
of India

New Delhi
The 19 APR 2005

ANNEXURES

ANNEXURE-1

(Referred to in paragraphs 1.3, 1.4, 1.5 and 1.16)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of the company/Statutory corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2003-04*			Debt equity ratio for 2003-04 (previous year) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	WORKING COMPANIES												
	AGRICULTURE												
1.	Tamil Nadu Fisheries Development Corporation Limited	445.52	---	---	---	445.52	---	---	---	---	---	---	---
	Sector-wise total	445.52	---	---	---	445.52	---	---	---	---	---	---	(0.48:1)
	INDUSTRY												
2.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	9,417.31	---	---	---	9,417.31	---	---	3,686.34	---	29,278.92	29,278.92	3.11:1 (2.91:1)
3.	Tamil Nadu Industrial Explosives Limited	2,214.14	---	---	481.54	2,695.68	---	---	---	3,188.06	---	3,188.06	1.18:1 (1.18:1)
4.	Tamil Nadu Paints and Allied Products Limited (Subsidiary of TANSI)	---	---	2.05	---	2.05	---	---	---	---	---	---	---
5.	Tamil Nadu Small Industries Corporation Limited (TANSI)	1,505.26	---	---	---	1,505.26	---	---	---	1,166.74	---	1,166.74	0.78:1 (0.78:1)
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	770.00	---	---	---	770.00	---	---	---	60.07	---	60.07	0.08 (---)

2-19—18

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	14,321.25	---	---	---	14,321.25	---	---	4,000.00	---	5,934.30	5,934.30	0.41:1 (0.33:1)
8.	Tamil Nadu Salt Corporation Limited	317.01	---	---	---	317.01	---	---	---	---	---	---	---
9.	Tamil Nadu Magnesite Limited	1,665.00	---	---	---	1,665.00	---	450.00	---	425.00	---	425.00	0.26:1 (----)
10.	Tamil Nadu Leather Development Corporation Limited	250.00	---	---	---	250.00	---	126.31	---	907.15	13.50	920.65	3.68:1 (2.07:1)
	Sector-wise total	**30,459.97**	---	**2.05**	**481.54**	**30,943.56**	---	**576.31**	**7,686.34**	**5,747.02**	**35,226.72**	**40,973.74**	**1.32:1 (1.81:1)**
	ENGINEERING												
11.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (Subsidiary of TANSI)	---	---	49.71	---	49.71	---	---	---	444.34	---	444.34	8.94:1 (8.94:1)
12.	Southern Structurals Limited	3,435.50	---	---	18.80	3,454.30	---	1,774.28	---	5,798.22	---	5,798.22	1.68:1 (1.06:1)
	Sector-wise total	**3,435.50**	---	**49.71**	**18.80**	**3,504.01**	---	**1,774.28**	---	**6,242.56**	---	**6,242.56**	**1.78:1 (1.17:1)**
	ELECTRONICS												
13.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	2,593.05	---	---	---	2,593.05	---	---	---	---	---	---	---
	Sector-wise total	**2,593.05**	---	---	---	**2,593.05**	---	---	---	---	---	---	---
	TEXTILES												
14.	Tamil Nadu Textile Corporation Limited	154.00	---	---	---	154.00	---	---	---	246.09	---	246.09	1.60:1 (1.61:1)
15.	Tamil Nadu Zari Limited	34.40	---	---	---	34.40	---	---	---	---	---	---	---
	Sector-wise total	**188.40**	---	---	---	**188.40**	---	---	---	**246.09**	---	**246.09**	**1.31:1 (1.31:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	HANDLOOM AND HANDICRAFTS												
16.	Tamil Nadu Handicrafts Development Corporation Limited	176.69	116.00	---	0.71	293.40	---	---	---	75.49	---	75.49	0.26:1 (0.44:1)
17.	Tamil Nadu Handloom Development Corporation Limited	267.00	---	---	162.23	429.23	---	---	---	---	---	---	---
	Sector-wise total	**443.69**	**116.00**	---	**162.94**	**722.63**	---	---	---	**75.49**	---	**75.49**	**0.10:1 (0.18:1)**
	FOREST												
18	Tamil Nadu Tea Plantation Corporation Limited	596.18	---	---	---	596.18	---	---	---	---	188.95	188.95	0.32:1 (0.40:1)
19.	Tamil Nadu Forest Plantation Corporation Limited	376.00	---	---	---	376.00	76.00	---	---	---	---	---	---
20.	Arasu Rubber Corporation Limited	845.00	---	---	---	845.00	---	---	---	867.69	338.11	1,205.80	1.43:1 (0.76:1)
	Sector-wise total	**1,817.18**	---	---	---	**1,817.18**	**76.00**	---	---	**867.69**	**527.06**	**1,394.75**	**0.77:1 (...)**
	MINING												
21.	Tamil Nadu Minerals Limited (TAMIN)	786.90	---	---	---	786.90	---	---	---	---	---	---	---
	Sector-wise total	**786.90**	---	---	---	**786.90**	---	---	---	---	---	---	---
	CONSTRUCTION												
22.	Tamil Nadu State Construction Corporation Limited	500.00	---	---	---	500.00	---	---	3,480.39	100.00	12,191.69	12,291.69	24.58:1 (22.90:1)
23.	Tamil Nadu Police Housing Corporation Limited	100.00	---	---	---	100.00	---	---	---	---	22,630.58	22,630.58	226.31:1 (268.48:1)
	Sector-wise total	**600.00**	---	---	---	**600.00**	---	---	**3,480.39**	**100.00**	**34,822.27**	**34,922.27**	**58.20:1 (63.83:1)**
	DRUGS AND CHEMICALS												
24.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	20.75	---	---	---	20.75	---	---	---	---	---	---	---

2-19—18a

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
25.	Tamil Medical Services Corporation Limited	300.00	---	---	---	300.00	---	---	2,740.00	---	6,889.93	6,889.93	22.97:1 (22.83:1)
	Sector-wise total	**320.75**	---	---	---	**320.75**	---	---	**2,740.00**	---	**6,889.93**	**6,889.93**	**21.48:1 (21.36:1)**
	SUGAR												
26.	Tamil Nadu Sugar Corporation Limited	679.15	---	---	100.00	779.15	---	---	---	---	---	---	---
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	---	---	226.75	190.60	417.35	---	---	---	---	---	---	---
	Sector-wise total	**679.15**	---	**226.75**	**290.60**	**1,196.50**	---	---	---	---	---	---	---
	CEMENT												
28.	Tamil Nadu Cements Corporation Limited	3,741.80	---	---	---	3,741.80	---	---	---	1,000.00	---	1,000.00	0.27:1 (0.27:1)
	Sector-wise total	**3,741.80**	---	---	---	**3,741.80**	---	---	---	**1,000.00**	---	**1,000.00**	**0.27:1 (0.27:1)**
	AREA DEVELOPMENT												
29.	Dharmapuri District Development Corporation Limited	15.00	---	---	---	15.00	---	---	---	---	---	---	---
	Sector-wise total	**15.00**	---	---	---	**15.00**	---	---	---	---	---	---	---
	ECONOMICALLY WEAKER SECTION												
30.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	4,355.50	3,619.91	---	---	7,975.41	---	---	---	9.19	800.00	809.19	0.10:1 (0.10:1)
31.	Tamil Nadu Backward Classes Economic Development Corporation Limited	1,157.01	---	---	---	1,157.01	---	---	1,000.00	---	2,944.40	2,944.40	2.54:1 (2.59:1)
32.	Tamil Nadu Minorities Economic Development Corporation Limited	320.01	---	---	---	320.01	---	---	200.00	---	200.00	200.00	0.62:1 (---)
33.	Tamil Nadu Corporation for Development of Women Limited	40.00	38.42	---	---	78.42	---	---	---	---	95.00	95.00	1.21:1 (1.21:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
34.	Tamil Nadu Ex-serevicemen's Corporation Limited	22.91	---	---	---	22.91	---	---	---	---	---	---	---
	Sector-wise total	**5,895.43**	**3,658.33**	---	---	**9,553.76**	---	---	**1,200.00**	**9.19**	**4,039.40**	**4,048.59**	**0.42:1 (0.41:1)**
	PUBLIC DISTRIBUTION												
35.	Tamil Nadu Civil Supplies Corporation Limited	3,339.10	---	---	---	3,339.10	20.00	20,000.00	---	933.00	---	933.00	0.28:1 (0.75:1)
	Sector-wise total	**3,339.10**	---	---	---	**3,339.10**	**20.00**	**20,000.00**	---	**933.00**	---	**933.00**	**0.28:1 (0.75:1)**
	TOURISM												
36.	Tamil Nadu Tourism Development Corporation Limited	678.63	---	---	---	678.63	---	---	---	205.32	---	205.32	0.30:1 (0.30:1)
	Sector-wise total	**678.63**	---	---	---	**678.63**	---	---	---	**205.32**	---	**205.32**	**0.30:1 (0.30:1)**
	FINANCING												
37.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	5,502.28	---	---	1,747.28	7,249.56	3,000.00	---	8,200.00	6,100.00	53,067.00	59,167.00	8.16:1 (14.46:1)
38.	Tamil Nadu Transport Development Finance Corporation Limited	4,303.00	---	---	1,871.18	6,174.18	---	---	---	---	9,000.00	9,000.00	1.46:1 (---)
	Sector-wise total	**9,805.28**	---	---	**3,618.46**	**13,423.74**	**3,000.00**	---	**8,200.00**	**6,100.00**	**62,067.00**	**68,167.00**	**5.08:1 (14.46:1)**
	INFRASTRUCTURE DEVELOPMENT												
39.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	3,102.00	---	---	98.00	3,200.00	---	---	33,024.41	1,956.87	38,024.41	39,981.28	12.49:1 (2.25:1)
40.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	2,200.00	---	---	---	2,200.00	--	---	---	11,350.00	10,800.00	22,150.00	10.07:1 (11.61:1)
41.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	300.01	---	---	---	300.01	---	---	---	---	---	---	---
	Sector-wise total	**5,602.01**	---	---	**98.00**	**5,700.01**	---	---	**33,024.41**	**13,306.87**	**48,824.41**	**62,131.28**	**10.90:1 (6.07:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	TRANSPORT												
42.	Metropolitan Transport Corporation Limited	24,296.81	---	---	---	24,296.81	---	---	476.13	---	1,757.20	1,757.20	0.07:1 (0.19:1)
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	18,695.96	---	---	---	18,695.96	---	---	2,041.42	---	14,468.03	14,468.03	0.77:1 (1.01:1)
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	7,739.08	---	---	---	7,739.08	---	---	1,900.16	---	5,746.17	5,746.17	0.74:1 (1.01:1)
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	10,484.04	---	---	---	10,484.04	---	---	903.33	---	3,863.70	3,863.70	0.37:1 (0.24:1)
46.	Tamil Nadu State Transport Corporation (Salem) Limited	4,034.74	---	---	---	4,034.74	---	---	953.97	---	2,249.34	2,249.34	0.56:1 (0.41:1)
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	6,610.21	---	---	---	6,610.21	---	---	1,277.28	---	3,813.38	3,813.38	0.58:1 (0.86:1)
48.	State Express Transport Corporation Limited	12,075.37	---	---	---	12,075.37	---	---	100.00	---	15,552.35	15,552.35	1.29:1 (1.28:1)
	Sector-wise total	**83,936.21**	---	---	---	**83,936.21**	---	---	**7,652.29**	---	**47,450.17**	**47,450.17**	**0.57:1 (0.62:1)**
	MISCELLANEOUS												
49.	Overseas Manpower Corporation Limited	15.00	---	---	---	15.00	---	---	---	---	---	---	---
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	1,110.00	---	---	---	1,110.00	250.00	---	565.88	---	504.91	504.91	0.45:1 (---)
51.	Poompuhar Shipping Corporation Limited	2,053.00	---	---	---	2,053.00	---	---	---	---	---	---	---
52.	Pallavan Transport Consultancy Services Limited	10.00	---	---	---	10.00	---	---	---	---	28.99	28.99	2.90:1
	Sector-wise total	**3,188.00**	---	---	---	**3,188.00**	**250.00**	---	**565.88**	---	**533.90**	**533.90**	**0.17:1 (0.74:1)**
	TOTAL (A)	**1,57,971.57**	**3,774.33**	**278.51**	**4,670.34**	**1,66,694.75**	**3,346.00**	**22,350.59**	**64,549.31**	**34,833.23**	**2,40,380.86**	**2,75,214.09**	**1.65:1 (1.51:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
B.	**WORKING STATUTORY CORPORATIONS**												
	POWER												
1.	Tamil Nadu Electricity Board	42,500.00	---	---	---	42,500.00	20,000.00	---	2,76,449.21	---	8,72,965.25	8,72,965.25	20.54:1 (31.85:1)
	Sector-wise total	**42,500.00**	---	---	---	**42,500.00**	**20,000.00**	---	**2,76,449.21**	---	**8,72,965.25**	**8,72,965.25**	**20.54:1 (31.85:1)**
	AGRICULTURE												
2.	Tamil Nadu Warehousing Corporation	380.50	380.50	---	---	761.00	---	---	---	---	---	---	---
	Sector-wise total	**380.50**	**380.50**	---	---	**761.00**	---	---	---	---	---	---	---
	TOTAL (B)	**42,880.50**	**380.50**	---	---	**43,261.00**	**20,000.00**	---	**2,76,449.21**	---	**8,72,965.25**	**8,72,965.25**	**20.18:1 (30.81:1)**
	GRAND TOTAL (A+B)	**2,00,852.07**	**4,154.83**	**278.51**	**4,670.34**	**2,09,955.75**	**23,346.00**	**22,350.59**	**3,40,998.52**	**34,833.23**	**11,13,346.11**	**11,48,179.34**	**5.47:1 (5.17:1)**
C.	**NON-WORKING COMPANIES**												
	AGRICULTURE												
1.	Tamil Nadu Agro Industries Corporation Limited	435.98	165.00	---	---	600.98	---	---	---	---	1,820.66	1,820.66	3.03:1 (3.03:1)
2.	Tamil Nadu Poultry Development Corporation Limited	125.43	---	---	1.25	126.68	---	---	---	---	466.37	466.37	3.68:1 (3.68:1)
3.	Tamil Nadu Sugarcane Farm Corporation Limited	27.50	---	---	---	27.50	---	---	---	---	---	---	---
4.	Tamil Nadu State Farms Corporation Limited	155.13	---	---	---	155.13	---	---	---	---	---	---	---
5.	Tamil Nadu State Tube wells Corporation Limited	31.50	---	---	---	31.50	---	---	---	---	---	---	---
6.	Tamil Nadu Dairy Development Corporation Limited	207.36	---	---	---	207.36	---	---	---	---	---	---	---
	Sector-wise total	**982.90**	**165.00**	---	**1.25**	**1,149.15**	---	---	---	---	**2,287.03**	**2,287.03**	**1.99:1 (1.99:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	INDUSTRY												
7.	Tamil Nadu Magnesium and Marine Chemicals Limited (Subsidiary of TIDCO)	---	---	362.00	---	362.00	---	---	---	---	---	---	---
8.	Tamil Nadu Graphites Limited	10.00	---	---	---	10.00	---	---	---	---	---	---	---
	Sector-wise total	**10.00**	---	**362.00**	---	**372.00**	---	---	---	---	---	---	---
	ENGINEERING												
9.	Tamil Nadu Steels Limited	392.00	---	---	---	392.00	---	---	---	584.37	465.99	1,050.36	2.68:1 (2.68:1)
	Sector-wise total	**392.00**	---	---	---	**392.00**	---	---	---	**584.37**	**465.99**	**1,050.36**	**2.68:1 (2.68:1)**
	FINANCING												
10.	The Chit Corporation of Tamil Nadu Limited	5.92	---	---	---	5.92	---	---	---	---	---	---	---
	Sector-wise total	**5.92**	---	---	---	**5.92**	---	---	---	---	---	---	---
	TRANSPORT												
11.	Tamil Nadu Goods Transport Corporation Limited	26.56	---	---	6.10	32.66	---	---	---	---	---	---	---
	Sector-wise total	**26.56**	---	---	**6.10**	**32.66**	---	---	---	---	---	---	---
	MISCELLANEOUS												
12.	Tamil Nadu State Sports Development Corporation Limited	0.002	---	---	---	0.002	---	---	---	---	---	---	---
13.	Tamil Nadu Film Development Corporation Limited	1,391.00	---	---	---	1,391.00	---	351.00	---	907.49	325.00	1,232.49	0.89:1 (0.81:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
14.	Tamil Nadu Institute of Information Technology	510.44	---	---	---	510.44	---	---	---	---	---	---	---
	Sector-wise total	**1,901.442**	**---**	**---**	**---**	**1,901.442**	**---**	**351.00**	**---**	**907.49**	**325.00**	**1,232.49**	**0.65:1 (0.47:1)**
	TOTAL (C)	**3,318.822**	**165.00**	**362.00**	**7.35**	**3,853.172**	**---**	**351.00**	**---**	**1,491.86**	**3,078.02**	**4,569.88**	**1.19:1 (1.03:1)**
	GRAND TOTAL (A+B+C)	**2,04,170.892****	**4,319.83**	**640.51**	**4,677.69**	**2,13,808.922**	**23,346.00**	**22,701.59**	**3,40,998.52**	**36,325.09**	**11,16,424.13**	**11,52,749.22**	**5.39:1 (5.08:1)**

Note

1. Except in respect of companies which finalised their accounts for 2003-04 (Serial numbers A-1 to 6, 9, 11, 13 to 16, 18 to 21, 23 to 28, 34, 36 to 48, 52, B-2, C-2, 8, 13 and 14) the figures are provisional and as given by the companies/corporations.
2. * Loans outstanding at the close of 2003-04 represent long-term loans only.
3. ** The figure as per finance accounts is Rs.1,931.27 crore, the difference is under reconciliation.

ANNEXURE-2

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.12, 1.15, 1.18, 1.19 and 1.28)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of the company/ corporation	Name of department	Date of incorpo-ration	Period of accounts	Year in which accounts finalised	Net profit/ loss (-)	Net impact of audit comments	Paid-up capital	Accumu-lated profit/ loss (-)	Capital employed (A)	Total return on capital employed	Percen-tage of total return on capital emplo-yed	Arrears of accounts in terms of years	Turn over	Man power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**WORKING COMPANIES**														
	AGRICULTURE														
1.	Tamil Nadu Fisheries Development Corporation Limited	Fisheries	11 April 1974	2003-04	2004-05	(-)14.44	---	445.52	(-)598.50	(-)74.68	(-)14.44	---	---	5073.53	228
	Sector-wise total					**(-)14.44**		**445.52**	**(-)598.50**	**(-)74.68**	**(-)14.44**	---	---	---	---
	INDUSTRY														
2.	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	Industries	21 May 1965	2003-04	2004-05	40.34	---	9,417.31	2,359.16	1,86,385.13	3,039.53	1.63	---	20,903.00	106
3.	Tamil Nadu Industrial Explosives Limited	Industries	9 February 1983	2003-04	2004-05	(-)253.96	---	2,695.68	(-)253.96	7,031.14	(-)253.96	---	---	4,299.00	889
4.	Tamil Nadu Paints and Allied Products Limited (Subsidiary of TANSI)	Small Industries	18 November 1985	2003-04	2004-05	1.49	---	2.05	5.66	12.58	11.30	89.83	---	229.62	15

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
5.	Tamil Nadu Small Industries Corporation Limited (TANSI)	Small Industries	10 September 1965	2003-04	2004-05	(-)110.28	---	1,505.26	(-)5,974.56	22,789.76	(-)14.93	---	---	5,050.57	659
6.	Tamil Nadu Small Industries Development Corporation Limited (SIDCO)	Small Industries	23 March 1970	2003-04	2004-05	17.21	---	770.00	198.88	1,151.30	426.49	37.04	---	4,824.96	519
7.	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	Industries	25 March 1971	2002-03	2003-04	8,575.08	---	14,321.25	337.75	31,336.45	10,866.05	34.68	1	5,576.03	339
8.	Tamil Nadu Salt Corporation Limited	Industries	22 July 1974	2002-03	2003-04	21.22	Profit for the year decreased by Rs.17.71 lakh	317.01	162.86	503.00	21.22	4.22	1	952.80	73
9.	Tamil Nadu Magnesite Limited	Industries	17 January 1979	2003-04	2004-05	(-)203.45	---	1,665.00	(-)3,862.19	(-)2,382.03	(-)34.24	---	---	2,463.95	634
10.	Tamil Nadu Leather Development Corporation Limited	Small Industries	21 March 1983	2002-03	2003-04	(-)80.41	---	250.00	(-)1,540.13	(-)220.21	(-)7.71	---	1	---	45
	Sector-wise total					**8,007.24**	---	**30,943.56**	**(-)8,566.53**	**2,46,607.12**	**14,053.75**	**5.70**			
	ENGINEERING														
11.	State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT) (Subsidiary of TANSI)	Small Industries	25 April 1977	2003-04	2004-05	(-)57.74	---	49.71	(-)1,727.67	(-)13.10	(-)40.33	---	---	0.01	2
12.	Southern Structurals Limited	Industries	17 October 1956	2002-03	2004-05	(-)1,442.40	---	3,454.30	(-)10,168.25	(-)13,150.36	(-)786.60	---	1	NIL	NIL
	Sector-wise total					**(-)1,500.14**	---	**3,504.01**	**(-)11,895.92**	**(-)13,163.46**	**(-)826.93**	---			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS														
13.	Electronics Corporation of Tamil Nadu Limited (ELCOT)	Information and Technology	21 March 1977	2003-04	2004-05	13.89	---	2,593.05	109.14	1,962.12	15.76	0.80	---	724.70	208
	Sector-wise total					**13.89**	---	**2,593.05**	**109.14**	**1,962.12**	**15.76**	**0.80**	---		
	TEXTILES														
14.	Tamil Nadu Textile Corporation Limited	Handloom, Handicraft, Textiles and Khadi	24 April 1969	2003-04	2004-05	23.19	---	154.00	(-)264.91	205.57	52.64	25.61	---	887.22	144
15.	Tamil Nadu Zari Limited	Handloom, Handicraft, Textiles and Khadi	6 December 1971	2003-04	2004-05	(-)1.46	---	34.40	291.00	402.79	(-)1.46	---	---	1,934.49	144
	Sector-wise total					**21.73**	---	**188.40**	**26.09**	**608.36**	**51.18**	**8.41**	---		
	HANDLOOM AND HANDICRAFTS														
16.	Tamil Nadu Handicrafts Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	26 July 1973	2003-04	2004-05	(-)61.84	---	293.40	(-)324.16	265.56	(-)7.68	---	---	1,308.00	178
17.	Tamil Nadu Handloom Development Corporation Limited	Handloom, Handicraft, Textiles and Khadi	10 September 1964	2002-03	2003-04	(-)12.32	---	429.24	(-)20.24	940.28	(-)12.32	---	1	367.03	33
	Sector-wise total					**(-)74.16**	---	**722.64**	**(-)344.40**	**1,205.84**	**(-)20.00**	---	---		
	FOREST														
18.	Tamil Nadu Tea Plantation Corporation Limited	Environment and Forest	22 August 1975	2003-04	2004-05	(-)379.66	---	596.18	(-)564.98	648.99	352.05	54.25	---	4,218.85	7.065
19.	Tamil Nadu Forest Plantation Corporation Limited	Environment and Forest	13 June 1974	2003-04	2004-05	342.79	---	376.00	2,432.33	2,206.00	358.29	16.24	---	3,126.00	494

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
20.	Arasu Rubber Corporation Limited	Environment and Forest	10 August 1984	2003-04	2004-05	117.44	---	845.00	(-)2,439.88	(-)357.61	277.90	---	---	1,454.27	220
	Sector-wise total					**80.57**	---	**1,817.18**	**(-)572.53**	**2,497.38**	**988.24**	**39.57**	---		
	MINING														
21.	Tamil Nadu Minerals Limited (TAMIN)	Industries	6 April 1977	2003-04	2004-05	247.29	---	786.90	8,778.63	9,195.11	247.29	2.69	---	9,004.00	1,739
	Sector-wise total					**247.29**	---	**786.90**	**8,778.63**	**9,195.11**	**247.29**	**2.69**			
	CONSTRUCTION														
22.	Tamil Nadu State Construction Corporation Limited	Public Works	8 February 1980	2000-01	2001-02	(-)329.67	---	500.00	(-)1,996.27	7,597.25	(-)312.40	---	2	279.75	252
23.	Tamil Nadu Police Housing Corporation Limited	Home	30 April 1981	2003-04	2004-05	86.66	---	100.00	458.72	24,309.77	86.66	0.36	---	8,394.00	279
	Sector-wise total					**(-)243.01**	---	**600.00**	**(-)1,537.55**	**31,907.02**	**(-)225.74**	---			
	DRUGS AND CHEMICALS														
24.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	Indian Medicine and Homeopathy	27 September 1983	2003-04	2004-05	110.88	---	20.75	302.08	363.55	110.88	30.50	---	791.28	115
25.	Tamil Nadu Medical Services Corporation Limited	Health and Family Welfare	1 July 1994	2003-04	2004-05	97.98	---	300.00	133.16	558.51	97.98	17.54	---	12,136.00	264
	Sector-wise total					**208.86**	---	**320.75**	**435.24**	**922.06**	**208.86**	**22.65**	---		
	SUGAR														
26.	Tamil Nadu Sugar Corporation Limited (TASCO)	Industries	17 October 1974	2003-04	2004-05	(-)881.51	---	779.15	(-)6,804.69	2,819.00	389.90	13.83	---	4,043.67	935
27.	Perambalur Sugar Mills Limited (Subsidiary of TASCO)	Industries	24 July 1976	2003-04	2004-05	(-)823.60	---	417.35	(-)5,867.82	2,846.47	243.80	8.56	---	3,161.86	565
	Sector-wise total					**(-)1,705.11**	---	**1,196.50**	**(-)12,672.51**	**5,665.47**	**633.70**	**11.19**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CEMENT														
28.	Tamil Nadu Cements Corporation Limited	Industries	11 February 1976	2003-04	2004-05	(-)863.79	---	3,741.80	(-)5,765.69	11,120.40	(-)19.18	---	---	16,596.09	2,022
	Sector-wise total					**(-)863.79**	---	**3,741.80**	**(-)5,765.69**	**11,120.40**	**(-)19.18**	---			
	AREA DEVELOPMENT														
29.	Dharmapuri District Development Corporation Limited	Rural Development and Local Administration	7 November 1975	2002-03	2004-05	20.64	---	15.00	94.94	148.90	21.91	14.71	1	---	67
	Sector-wise total					**20.64**	---	**15.00**	**94.94**	**148.90**	**21.91**	**14.71**			
	ECONOMICALLY WEAKER SECTION														
30.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	Adi Dravidar and Tribal Welfare	15 February 1974	2001-02	2004-05	140.27	---	7,575.41	105.19	11,176.60	265.81	2.38	2	---	526
31.	Tamil Nadu Backward Classes Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	16 November 1981	2002-03	2003-04	36.27		1,157.01	136.39	4,313.23	91.84	2.13	1	142.09	14
32.	Tamil Nadu Minorities Economic Development Corporation Limited	Backward Classes and Most Backward Classes Welfare	31 August 1999	2002-03	2003-04	0.42	---	320.00	15.52	344.54	0.42	0.12	1	273.39	10
33.	Tamil Nadu Corporation for Development of Women Limited	Social Welfare and Noon-Meal Programme	9 December 1983	2002-03	2003-04	(-)99.34	Profit of Rs.36.40 lakh changed into loss of Rs.99.24 lakh	78.42	(-)257.31	93.03	(-)93.64	---	1	---	40
34.	Tamil Nadu Ex-servicemen's Corporation Limited	Public (Ex-service-men)	28 January 1986	2003-04	2004-05	400.42	---	22.91	1,020.55	1,066.08	404.59	37.95	---	N.A	N.A
	Sector-wise total					**478.04**	---	**9,153.75**	**1,020.34**	**16,993.48**	**669.02**	**3.94**	---		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	PUBLIC DISTRIBUTION														
35.	Tamil Nadu Civil Supplies Corporation Limited	Food and Consumer protection	21 April 1972	2002-03	2003-04	(-)8,403.47	Loss for the year and subsidy receivable from the Government increased by Rs.4.58 crore	3,319.10	(-)8,403.47	6,976.73	930.90	13.34	1	2,61,707.46	14,171
	Sector-wise total					**(-)8,403.47**	**---**	**3,319.10**	**(-)8,403.47**	**6,976.73**	**930.90**	**13.34**	**---**		
	TOURISM														
36.	Tamil Nadu Tourism Development Corporation Limited	Information and Tourism	30 June 1971	2003-04	2004-05	287.64	---	678.63	102.43	1,627.91	314.35	19.31	---	3,946.78	650
	Sector-wise total					**287.64**	**---**	**678.63**	**102.43**	**1,627.91**	**314.35**	**19.31**	**---**		
	FINANCING														
37.	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	Small Industries	26 March 1949	2003-04	2004-05	220.82	---	7,249.56	(-)32,885.09	1,02,418.78	10,038.31	9.80	---	12,400.00	708
38.	Tamil Nadu Transport Development Finance Corporation Limited	Transport	25 March 1975	2003-04	2004-05	296.70	---	6,174.18	5,433.29	1,09,617.37	11,361.06	10.36	---	14,163.07	43
	Sector-wise total					**517.52**	**---**	**13,423.75**	**(-)27,451.80**	**2,12,036.15**	**21,399.37**	**10.09**	**---**		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INFRASTRUCTURE DEVELOPMENT														
39.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration and Water Supply	21 March 1990	2003-04	2004-05	3,330.65	---	3,200.00	2,454.03	44,785.74	6,725.36	15.02	---	7,773.69	48
40.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	Energy	27 June 1991	2003-04	2004-05	487.20	---	2,200.00	3,242.10	1,62,900.08	16,999.64	10.44	---	20,984.00	22
41.	Tamil Nadu Rural Housing and Infrastructure Development Corporation Limited	Rural Development	20 January 1999	2003-04	2004-05	(-)0.44		300.01	(-)62.76	(-)8,957.59	(-)0.44	---			
	Sector-wise total					**3,817.41**	**---**	**5,700.01**	**5,633.37**	**1,98,728.23**	**23,724.56**	**11.94**	**---**		
	TRANSPORT														
42.	Metropolitan Trans-port Corporation Limited	Transport	10 December 1971	2003-04	2004-05	(-)842.30	---	24,296.81	(-)40,018.32	(-)6,524.80	425.21	---	---	43,500.07	19,193
43.	Tamil Nadu State Transport Corporation (Madurai) Limited	Transport	10 December 1971	2003-04	2004-05	(-)454.46	---	18,695.96	(-)64,106.84	(-)14,248.42	4,120.51	---	---	71,182.98	23,878
44.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	Transport	17 February 1972	2003-04	2004-05	673.12	---	7,739.08	(-)21,519.71	(-)5,644.85	1,876.77	---	---	44,404.84	17,138
45.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	Transport	17 February 1972	2003-04	2004-05	1,991.93	---	10,484.04	(-)23,462.88	(-)1,903.86	3,618.12	---	---	59,153.14	18,834
46.	Tamil Nadu State Transport Corporation (Salem) Limited	Transport	23 January 1973	2003-04	2004-05	221.25	---	4,034.74	(-)8,928.44	(-)1,521.72	692.11	---	---	31,661.14	10,682
47.	Tamil Nadu State Transport Corporation (Villupuram) Limited	Transport	9 January 1975	2003-04	2004-05	650.50	---	6,610.21	(-)17,037.38	(-)515.31	1,200.46	---	---	55,703.59	17,858
48.	State Express Transport Corporation Limited	Transport	14 January 1980	2003-04	2004-05	(-)2,002.21	---	12,075.37	(-)38,113.09	(-)9,734.85	(-)1,512.94	---	---	21,204.06	7,653
	Sector-wise total					**237.83**	**---**	**83,936.21**	**(-)2,13,186.66**	**(-)40,093.81**	**10,420.24**	**---**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	MISCELLANEOUS														
49.	Overseas Manpower Corporation Limited	Labour and employ-ment	30 Novem-ber 1978	2002-03	2003-04	9.27	---	15.00	22.63	37.90	9.29	24.51	1	144.00	19
50.	Tamil Nadu State Marketing Corporation Limited (TASMAC)	Prohibi-tion and Excise	23 May 1983	2002-03	2003-04	(-)23.17	---	860.00	61.08	5,529.03	76.90	1.39	1	3,35,934.00	33,953
51.	Poompuhar Shipping Corporation Limited	Highways	11 April 1974	2002-03	2003-04	(-)554.42		2,053.00	(-)1,382.11	4,362.89	(-)326.35	---	1	36,359.00	167
52.	Pallavan Transport Consultancy Services Limited	Transport	20 February 1984	2003-04	2004-05	2.65	---	10.00	(-)69.94	(-)26.58	5.84	---	---	45.21	17
	Sector-wise total					(-)565.67	---	2,938.00	(-)1,368.34	9,903.24	(-)234.32	---	---		
	TOTAL (A)					568.87	---	1,66,024.76	(-)2,76,163.72	7,04,773.57	72,338.52	10.26	---		
B.	**WORKING STATUTORY CORPORATIONS**														
	POWER														
1.	Tamil Nadu Electricity Board	Energy	1 July 1957	2002-03	2003-04	11,257.00	Net surplus decreased by Rs.4.24 crore	22,500.00	(-)1,29,563.00	9,85,656.00	79,030.00	8.02	1	9,46,364.00	87,329
	Sector-wise total					11,257.00	---	22,500.00	(-)1,29,563.00	9,85,656.00	79,030.00	8.02	---		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AGRICULTURE														
2.	Tamil Nadu Warehousing Corporation	Food and Consumer Protection	2 May 1958	2003-04	2004-05	117.85	---	761.00	3,127.63	3,902.80	117.85	3.02	--	1,309.18	575
	Sector-wise total					**117.85**	---	**761.00**	**3,127.63**	**3,902.80**	**117.85**	**3.02**	---		
	TOTAL (B)					**11,374.85**	---	**23,261.00**	**(-)1,26,435.37**	**9,89,558.80**	**79,147.85**	**8.00**	---		
	GRAND TOTAL (A+B)					**11,943.72**	---	**1,89,285.76**	**(-)4,02,599.09**	**16,94,332.37**	**1,51,486.37**	**8.94**	---		
C.	**NON-WORKING COMPAIES**														
	AGRICULTURE														
1.	Tamil Nadu Agro Industries Development Corporation Limited	Agricul-ture	15 July 1966	2002-03	2003-04	(-)743.72	---	600.98	(-)4,290.72	532.46	(-)373.43	---	1	NIL	NIL
2.	Tamil Nadu Poultry Development Corporation Limited	Animal Husban-dry and Fisheries	12 July 1973	2003-04	2004-05	(-)3.24	---	126.68	(-)985.60	(-)66.89	(-)3.24	---	---	---	1
3.	Tamil Nadu Sugarcane Farm Corporation Limited	Agricul-ture	22 February 1975	2000-01	2001-02	(-)0.16	---	27.50	(-)17.62	9.87	(-)0.16	---	2	---	---
4.	Tamil Nadu State Farms Corporation Limited	Agricul-ture	8 December 1974	2002-03	2003-04	(-)0.23	---	155.13	(-)1,736.36	0.22	(-)0.23	---	1	0.06	---
5.	Tamil Nadu State Tube wells Corporation Limited	Public Works	19 March 1982	1998-99	2000-01	(-)2.39	---	31.50	(-)209.07	72.10	(-)2.39	---	5	0.55	---
6.	Tamil Nadu Dairy Development Corporation Limited	Agricul-ture	4 May 1972	1993-94	2001-02	(-)166.67	---	207.36	(-)207.48	(-)0.12	(-)166.67	---	10	---	---
	Sector-wise total					**(-)916.41**	---	**1,149.15**	**(-)7,446.85**	**547.64**	**(-)546.12**	----			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INDUSTRY														
7.	Tamil Nadu Magnesium and Marine Chemicals Limited (Subsidiary of TIDCO)	Industries	10 February 1987	1999-2000	2000-01	(-)380.52	---	362.00	(-)1,550.81	140.38	(-)380.52	---	4	---	---
8.	Tamil Nadu Graphites Limited	Industries	19 March 1997	2003-04	2004-05	(-)0.20	---	10.00	(-)7.12	2.88	(-)0.20	---	---	NIL	NIL
	Sector-wise total					**(-)380.72**	---	**372.00**	**(-)1,557.93**	**143.26**	**(-)380.72**	---	---		
	ENGINEERING														
9.	Tamil Nadu Steels Limited	Industries	17 September 1981	1999-2000	2000-01	(-)941.19	---	392.00	(-)7,131.27	(-)2,053.95	(-)79.97	---	4	---	---
	Sector-wise total					**(-)941.19**	---	**392.00**	**(-)7,131.27**	**(-)2,053.95**	**(-)79.97**	---	---		
	FINANCING														
10.	The Chit Corporation of Tamil Nadu Limited	Commercial Taxes	11 January 1984	2002-03	2004-05	(-)3.53	---	5.92	(-)51.00	(-)25.90	(-)3.53	---	1	0.91	2
	Sector-wise total					**(-)3.53**	---	**5.92**	**(-)51.00**	**(-)25.90**	**(-)3.53**	---	---		
	TRANSPORT														
11.	Tamil Nadu Goods Transport Corporation Limited	Transport	26 March 1975	1989-90		0.21	---	32.66	(-)132.55	(-)29.85	6.57	Under liquidation since March 1990			
	Sector-wise total					**0.21**	---	**32.66**	**(-)132.55**	**(-)29.85**	**6.57**	---	---	---	
	MISCELLANEOUS														
12.	Tamil Nadu State Sports Development Corporation Limited	Education	15 November 1984	1991-92	2003-04	(-)9.71	---	0.002	127.86	146.92	(-)9.71	---	12	---	---

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
13.	Tamil Nadu Film Development Corporation Limited	Information and Tourism	12 April 1972	2003-04	2004-05	3.67	---	1,391.00	(-)1,228.33	1,400.00	3.67	0.26	---	48.05	4
14.	Tamil Nadu Institute of Information Technology	Higher Education	20 February 1998	2003-04	2004-05	---	---	510.44	(-)510.44	---	---	---	---	NIL	NIL
	Sector-wise total					**(-)6.04**	---	**1,901.442**	**(-)1,610.91**	**1,546.92**	**(-)6.04**		---		
	TOTAL (C)					**(-)2,247.68**	----	**3,853.172**	**(-)17,930.51**	**128.12**	**(-)1,009.81**	---	---		
	GRAND TOTAL (A+B+C)					**9,696.04**	---	**1,93,138.932**	**(-)4,20,529.60**	**16,94,460.49**	**1,50,476.56**	**8.88**			

NOTE:

A: Capital employed represents net fixed assets (including capital work-in-progress) PLUS working capital except in case of finance companies/corporations, where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinances).

ANNEXURE-3

(Referred to in paragraph 1.5)

Statement showing subsidy/grants received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2004

(Figures in columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the company/ Statutory corporation	^Subsidy received during the year				*Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of import	Payment obligation under agreement with foreign consultants	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
(A)	WORKING COMPANIES															
	INDUSTRY															
1.	Tamil Nadu Industrial Development Corporation Limited	1,450.00	76.63	---	1,526.63	---	(1,43,885.15)	---	---	(1,43,885.15)	---	---	---	---	---	---
2.	Tamil Nadu Small Industries Corporation Limited (TANSI)	---	---	---	---	(709.21)	(300.00)	---	---	(1,009.21)	---	---	---	---	---	---
3.	Tamil Nadu Small Industries Development Corporation Limited	138.61	100.00	---	238.61	---	---	---	---	---	---	---	---	---	---	---
4.	Tamil Nadu Leather Development Corporation Limited	---	---	---	---	(75.00)	---	---	---	(75.00)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
	ENGINEERING															
5.	Southern Structurals Limited	---	---	---	---	729.85 (729.85)	---	---	---	729.85 (729.85)	---	---	---	---	---	---
	ELECTRONICS															
6.	Electronics Corporation of Tamil Nadu Limited	---	253.91		253.91	---	---	---	---	---	---	---	---	---	---	---
	TEXTILES															
7.	Tamil Nadu Zari Limited	12.50	---	---	12.50	---	---	---	---	---	---	---	---	---	---	---
	HANDLOOM AND HANDICRAFTS															
8.	Tamil Nadu Handicrafts Development Corporation Limited	11.24 (9.70)	27.00	---	38.24 (9.70))	---	---	---	---	---	---	---	---	---	---	---
9.	Tamil Nadu Handloom Development Corporation Limited	---	---	---	---	(550.00)	---	---	---	(550.00)	---	---	---	---	---	---
	FOREST															
10.	Tamil Nadu Tea Plantation Corporation Limited	---	---	---	---	---	(188.95)	---	---	(188.95)	---	---	---	---	---	---
11.	Arasu Rubber Corporation Limited	---	---	0.70	0.70	---	---	---	---	---	---	---	---	---	---	---
	CONSTRUCTION															
12.	Tamil Nadu State Construction Corporation Limited	---	---	---	---	(109.91)	1,607.85 (12,488.69)	---	---	1,607.85 (12,598.60)	---	---	---	---	---	---
13.	Tamil Nadu Police Housing Corporation Limited	---	---	---	---	---	(22,631.00)	---	---	(22,631.00)	---	---	---	---	---	---
	DRUGS AND CHEMICALS															
14.	Tamil Nadu Medical Services Corporation Limited	---	---	---	---	---	(6,889.93)	---	---	(6,889.93)	---	---	---	---	---	---
	SUGAR															
15.	Tamil Nadu Sugar Corporation Limited	---	---	---	---	3,823.29 (3,823.01)	---	---	---	3,823.29 (3,823.01)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
16.	Perambalur Sugar Mills Limited	---	---	---	---	3,862.00 (1,451.89)	---	---	---	3,862.00 (1,451.89)	---	---	---	---	---	---
	ECONOMICALLY WEAKER SECTION															
17.	Tamil Nadu Adi Dravidar Housing and Development Corporation Limited	3,800.74	---	---	3,800.74	---	---	---	---	---	---	---	---	---	---	---
18.	Tamil Nadu Backward Classes Economic Development Corporation Limited	---	63.25	---	63.25	---	7,027.07 (2,944.40)	---	---	7,027.07 (2,944.40)	---	---	---	---	---	---
19.	Tamil Nadu Minorities Economic Development Corporation Limited	---	7.80	---	7.80	---	---	---	---	---	---	---	---	---	---	---
20.	Tamil Nadu Corporation for Development of Women Limited	---	2,718.35	---	2,718.35	---	75.00 (65.62)	---	---	75.00 (65.62)	---	---	---	---	---	---
	PUBLIC DISTRIBUTION															
21.	Tamil Nadu Civil Supplies Corporation Limited	---	80,000.00	---	80,000.00	(2,000.00)	---	---	---	(2,000.00)	---	---	---	---	---	---
	TOURISM															
22.	Tamil Nadu Tourism Development Corporation Limited	70.21	---	---	70.21	---	---	---	---	---	---	---	---	---	---	---
	FINANCING															
23.	Tamil Nadu Industrial Investment Corporation Limited	---	1,000.00	---	1,000.00	---	8,200.00 (59,117.00))	---	---	8,200.00 (59,117.00))	---	---	---	---	---	---
24.	Tamil Nadu Transport Development Finance Corporation Limited	---	---	---	---	---	(9,000.00)	---	---	(9,000.00)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
	INFRASTRUCTURE DEVELOPMENT															
25.	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited	4,464.13 (155.23)	5,238.73 (1,358.93)	---	9,702.86 (1,514.16)	---	---	---	---	---	---	---	---	---	---	---
26.	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	---	---	---	---	---	3,000.00	---	---	3,000.00	---	---	---	---	---	---
	TRANSPORT															
27.	Tamil Nadu State Transport Corporation (Madurai) Limited	---	1,967.33 (34.38)	---	1,967.33 (34.38)	896.61 (225.00)	---	---	---	896.61 (225.00)	---	---	---	---	---	---
28.	Tamil Nadu State Transport Corporation (Coimbatore) Limited	---	2,666.00 (962.00)	---	2,666.00 (962.00)	---	---	---	---	---	---	---	---	---	---	---
29.	Tamil Nadu State Transport Corporation (Kumbakonam) Limited	---	1,878.00 (346.00)	---	1,878.00 (346.00)	---	---	---	---	---	---	---	---	---	---	---
30.	Tamil Nadu State Transport Corporation (Villupuram) Limited	---	630.00	---	630.00	---	---	---	---	---	---	---	---	---	---	---
	MISCELLANEOUS															
31.	Tamil Nadu State Marketing Corporation Limited	---	---	---	---	5,804.00	(6,500.00)	---	---	5,804.00 (6,500.00)	---	---	---	---	---	---
	TOTAL (A)	9,947.43 (164.93)	96,627.00 (2,701.31)	0.70	1,06,575.13 (2,866.24)	15,115.75 (9,673.87)	19,909.92 (2,64,010.74)	---	---	35,025.67 (2,73,684.61)	---	---	---	---	---	---

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
(B)	**STATUTORY CORPORATIONS**															
32.	Tamil Nadu Electricity Board	20,156.45 (grants)	25,000.00	---	25,000.00 20,156.45 (grants)	---	78,819.00 (4,64,204.00)	---	---	78,819.00 (4,64,204.00)	---	---	---	---	---	---
	TOTAL (B)	**20,156.45 (grants)**	**25,000.00**	---	**25,000.00 20,156.45 (grants)**	---	**78,819.00 (4,64,204.00)**	---	---	**78,819.00 (4,64,204.00)**	---	---	---	---	---	
	GRAND TOTAL (A+B)	**9,947.43 (164.93) 20,156.45 (grants)**	**1,21,627.00 (2,701.31))**	**0.70**	**1,31,575.13 (2,866.24) 20,156.45 (grants)**	**15,115.75 (9,673.87)**	**98,728.92 (7,28,214.74)**	---	---	**1,13,844.67 (7,37,888.61)**	---	---	---	---	---	---

A Subsidy includes subsidy receivable at the end of year, which is also shown in brackets.

* Figures in bracket indicate guarantees outstanding at the end of the year.

Except in respect of companies which finalised their accounts for 2003-04 (Serial numbers A-1 to 3, 6 to 8, 10, 11 13 to 16, 22 to 30) the figures are provisional and as given by the companies/corporations.

966.27.

ANNEXURE-4

(Referred to in paragraph 1.7)

Statement showing financial position of Statutory corporations

(Rupees in crore)

Particulars	2001-02	2002-03	2003-04 (Provisional)
1.TAMIL NADU ELECTRICITY BOARD			
A. LIABILITIES			
Equity capital[♣]	200.00	225.00	425.00
Loans from Government	---	---	---
Other long-term loans (including bonds)	6,492.45	7,281.82	9,139.65
Reserves and surplus	1,209.75	1,314.81	1,344.32
Others (subsidy)	2,068.28	2,346.99	2,765.03
Current liabilities and provisions	7,070.00	6,324.95	5,933.63
TOTAL (A)	**17,040.48**	**17,493.57**	**19,607.63**
B. ASSETS			
Gross fixed assets	13,135.79	14,769.20	15,923.52
LESS: Depreciation	4,508.66	5,329.05	6,289.80
Net fixed assets	8,627.13	9,440.15	9,633.72
Capital works-in-progress	3,309.42	2,910.38	3,326.40
Assets not in use	1.41	2.55	0.21
Deferred cost	4.00	4.59	4.94
Current assets	3,666.97	3,830.98	4,170.54
Investments	23.35	9.29	9.77
Subsidy receivable from the Government	---	---	---
Miscellaneous expenditure	1,408.20	1,295.63	2,462.05
Deficits	---	---	---
TOTAL (B)	**17,040.48**	**17,493.57**	**19,607.63**
C. CAPITAL EMPLOYED[♠]	**8,533.52**	**9,856.56**	**11,197.03**

♣ It represents loan converted into equity capital and are subject to adjustment against subsidy receivable from Government.

♠ Capital employed represents net fixed assets (including works-in-progress) PLUS working capital. While working out working capital, the element of deferred cost and investments are excluded from current assets.

(Rupees in crore)

2.TAMIL NADU WAREHOUSING CORPORATION			
Particulars	**2001-02**	**2002-03**	**2003-04**
A. LIABILITIES			
Paid-up capital	7.61	7.61	7.61
Reserves and surplus	27.68	30.40	31.27
Subsidy	0.19	0.19	0.19
Trade dues and current liabilities (including provision)	8.34	7.25	7.43
TOTAL	**43.82**	**45.45**	**46.50**
B. ASSETS			
Gross block	36.92	39.89	40.02
LESS: Depreciation	10.13	10.93	12.01
Net fixed assets	26.79	28.96	28.01
Capital works-in-progress	0.32	0.05	---
Current assets, loans and advances	16.71	16.44	18.49
TOTAL	**43.82**	**45.45**	**46.50**
C. CAPITAL EMPLOYED*	**35.88**	**38.20**	**39.07**

* Capital employed represents net fixed assets PLUS working capital

ANNEXURE-5

(Referred to in paragraph 1.7)

Statement showing working results of Statutory corporations

1. TAMIL NADU ELECTRICITY BOARD

(Rupees in crore)

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
1.	(a) Revenue receipts	8,222.47	9,515.74	11,431.32
	(b) Subsidy/subvention from Government	322.50	2,212.14	250.00
	TOTAL	**8,544.97**	**11,727.88**	**11,681.32**
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	11,733.98	10,203.30	11,485.96
3.	Gross surplus (+) / deficit (-) for the year (1-2)	(-)3,189.01	1,524.58	195.36
4.	Adjustments relating to previous years	(-)459.18	82.45	305.31
5.	Final gross surplus (+) / deficit (-) for the year (3+4)	(-)3,648.19	1,607.03	500.67
6.	(a) Depreciation (LESS: Capitalised)	661.76	816.73	965.86
	(b) Interest on Government loans	---	---	---
	(c) Interest on others, bonds, advance, etc., and finance charges	779.53	931.72	922.38
	(d) Total interest on loans and finance charges (b) + (c)	779.53	931.72	922.38
	(e) LESS: Interest capitalized	237.59	253.99	221.15
	(f) Net interest charged to revenue (d) – (e)	541.94	677.73	701.23
	(g) Total appropriations (a) + (f)	1,203.70	1,494.46	1,667.09
7.	Surplus (+) / deficit (-) before accounting for subsidy from State Government {(5) – 6 (g) – 1 (b)}	(-)5,174.39	(-)2,099.57	(-)1,416.42
8.	Net surplus (+)/ deficit (-) {(5) – 6(g)}	(-)4,851.89	112.57	(-)1,166.42
9.	**Total return on capital employed•**	**(-)4,309.95**	**790.30**	**(-)465.19**
10.	**Percentage of return on capital employed**	**---**	**8.02**	**---**

• Total return on capital employed represents net surplus/deficit PLUS total interest charged to Profit and Loss account (LESS interest capitalised).

(Rupees in crore)

2.TAMIL NADU WAREHOUSING CORPORATION

	Particulars	2001-02	2002-03	2003-04
1.	**Income**			
(a)	Warehousing charges	19.00	15.76	11.72
(b)	Other income	1.47	1.21	1.37
	TOTAL	**20.47**	**16.97**	**13.09**
2.	**Expenses**			
(a)	Establishment charges	7.03	7.31	7.41
(b)	Other expenses	9.88	6.81	4.40
	TOTAL	**16.91**	**14.12**	**11.81**
3.	Profit (+) / Loss (-) before tax	3.56	2.85	1.28
4.	Other appropriations/adjustments	(-)0.04	0.46	0.10
5.	Amount available for dividend	3.52	3.31	1.18
6.	Dividend for the year (including dividend tax)	0.76	0.53	0.31
7.	**Total return on capital employed**	**3.52**	**2.71**	**1.18**
8.	**Percentage of return on capital employed**	**9.81**	**7.09**	**3.02**

ANNEXURE-6

(Referred to in paragraph 1.11)

Statement showing operational performance of Statutory corporations

1. **TAMIL NADU ELECTRICITY BOARD**

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
1.	Installed capacity		(MW)	
(a)	Thermal	2,970	2,970	2,970
(b)	Hydel	1,996	1,996	1,996
(c)	Gas	227	321	424
(d)	Other	19	19	19
	TOTAL	**5,212**	**5,306**	**5,409**
2.	Normal maximum demand	6,687	6,957	7,228
	Percentage increase/decrease (-) over previous year	6.31	4.04	3.89
3.	Power generated		(MKWH)	
(a)	Thermal	20,325	21,080	20,431
(b)	Hydel	4,350	2,724	2,067
(c)	Gas	870	1,107	1,592
(d)	Other	17	18	24
	TOTAL	**25,562**	**24,929**	**24,114**
	Percentage increase/decrease (-) over previous year	1.65	(-)2.48	(-)3.27
	LESS: Auxiliary consumption			
(a)	Thermal	1,772	1,811	1,736
	(Percentage)	8.72	8.59	8.50
(b)	Hydel	115	201	484
	(Percentage)	2.64	7.38	23.42
(c)	Gas	0	51	86
	(Percentage)	0	0	5.40
	TOTAL	**1,887**	**2,063**	**2,306**
	(Percentage)	7.38	8.28	9.56
5.	Net power generated	23,675	22,866	21,808
6.	Power purchased			
(a)	Within the State			
	(i) Government	---	---	---
	(ii) Private	5,340	4,994	7,746
(b)	Other States	937	4,067	2,828

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
(c)	Central grid	12,081	12,399	14,810
7.	**Total power available for sale**	**42,033**	**44,326**	**47,192**
8.	Power sold			
	(a) Within the State	35,064	36,077	38,374
	(b) Outside the State	138	270	323
9.	Transmission and distribution losses	6,831	7,979	8,495
10.	Load factor (Percentage)			
(a)	Hydel	25	15.58	11.88
(b)	Thermal	78.1	81.0	78.53
11.	Percentage of transmission and distribution losses to total power available for sale	16.3	18.0	18.0
12	Number of villages/towns electrified (in lakh)	0.64	0.64	0.64
13.	Number of pump sets/wells energised (in lakh)	16.45	16.76	17.03
14.	Number of sub-stations	948	984	1,044
15.	Transmission and Distribution lines (in lakh KMs)			
(a)	High/medium voltage	1.40	1.24	1.27
(b)	Low voltage	4.32	4.56	4.68
16.	Connected load (in MW)	26,173	27,538	29,406
17	Number of consumers (in lakh)	152.11	161.44	166.13
18.	Number of employees (in lakh)	0.90	0.87	0.84
19.	Consumer/employees ratio (No. of consumers per employee)	169.01	185.56	197.77
20.	Total expenditure on staff during the year (Rupees in crore)	1,590.88	1,552.67	1,611.18
21.	Percentage of expenditure on staff to total revenue expenditure	12.30	13.18	11.99
22.	Units sold	**(MKWH)**		
(a)	Agriculture	9,495	9,030	9,588
	Percentage share to total units sold	26.97	24.84	24.78
(b)	Industrial	12,308	12,667	13,497
	Percentage share to total units sold	34.96	34.85	34.88
(c)	Commercial	3,361	3,586	3,498
	Percentage share to total units sold	9.55	9.87	9.04
(d)	Domestic	7,872	9,003	9,894
	Percentage share to total units sold	22.36	24.77	25.57
(e)	Others	2,166	2,061	2,220
	Percentage share to total units sold	6.16	5.67	5.73
	TOTAL	**35,202**	**36,347**	**38,697**

Sl. No	Particulars	2001-02	2002-03	2003-04 (Provisional)
		(Paise per KWH)		
(a)	Revenue (excluding subsidy from Government)	234	262	295
(b)	Expenditure*	345	296	316
(c)	Profit (+) / Loss (-)	(-)111	(-)34	(-)21
(d)	Average subsidy claimed from Government	09	61	06
(e)	Average interest charges	22	26	24

2. TAMIL NADU WARE HOUSING CORPORATION

	Particulars	2001-02	2002-03	2003-04
	Number of stations covered	67	66	65
	Storage capacity created up to the end of the year (tonne in lakh)			
(a)	Owned	5.98	6.00	6.00
(b)	Hired	0.83	0.37	0.36
	TOTAL	**6.81**	**6.37**	**6.36**
	Average capacity utilised during the year (lakh metric tonnes)	6.16	5.34	3.69
	Percentage of utilisation	90	73	58
	Average revenue per metric tonne per year (Rupees)	332.25	317.79	354.72
	Average expenses per metric tonne per year (Rupees)	274.44	264.42	320.28

* Revenue expenditure includes depreciation but excludes interest on long-term loans.

ANNEXURE-7

(Referred to in paragraph 1.27)

Major recommendations/comments made by the Statutory Auditors on possible improvements in internal audit/internal control systems of Government companies

Sl. No	Nature of recommendations/comments	Number of companies where recommendations/ comments	Reference to Serial Number in Annexure-2
1.	Non-operation of internal audit wing	1	A-12
2.	Internal audit non-commensurate with the size and nature of business	2	A-7 and 28
3.	Internal audit system to be improved	2	A-37 and 42
4.	System to be strengthened to prevent misappropriation of cash	2	A-48 and 42
5.	Delay in conduct of internal audit	1	A-42
6.	Inadequate coverage by internal audit	1	A-42
7.	Lack of details on fixed assets	2	A-7 and 17
8.	Strengthening of system of valuation of investments and reporting on capital/investment erosion	1	A-13
9.	Non-submission of periodical internal audit reports	1	A-51

ANNEXURE-8

(Referred to in Paragraph 1.30)

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts

(Figures in columns 5 to 17 are Rupees in lakh)

Sl. No.	Name of company	Status	Year of account	Paid-up capital	Equity by				Loans/grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss (-)	Accu-mulated Profit (+)/ Loss (-)
					State Govt.	State Govt. com-panies	Central Govt. and its com-panies	Others	State Govt.	State Govt. com-panies	Cen-tral Govt.	State Govt.	State Govt. com-panies	Cen-tral Govt.		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1.	Tamil Nadu Telecommuni-cations Limited	Working	2003-04	2,266.01	---	668.40 (29.5%)	695.10 (30.7%)	902.51 (39.8%)	---	---	---	---	668.40	695.10	(-)471.62	(-)3,162.40
2.	Tidel Park Limited	Working	2003-04	4,400.00	---	1,275.00 (29%)	---	3,125.00 (71%)	---	---	---	---	1,275.00	---	1,304.54	3,379.95
3.	Tamil Nadu Newsprints and Papers Limited	Working	2003-04	6,935.86	2,444.49 (35.2%)	236.02 (3.4%)	---	4,255.35 (61.4%)	---	---	---	2,444.49	236.02	---	5,284.49	19,918.11

ANNEXURE-9

(Referred to in paragraph 2.1.5)

Financial position of Tamil Nadu Tea Plantation Corporation Limited for the five years ended 31 March 2004.

(Rupees in lakh)

	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
	Liabilities					
a.	Paid-up capital	596.18	596.18	596.18	596.18	596.18
b.	Reserves and Surplus	1,705.93	1,137.41	416.58	353.89	353.85
c.	Secured loans	-	250.00	232.16	100.00	75.00
d.	Unsecured loans	337.15	337.15	287.75	238.35	188.95
e.	Current liabilities and provisions	3,884.38	3,958.80	4,280.80	4,514.95	4,656.49
	Total	**6,523.64**	**6,279.54**	**5,813.47**	**5,803.37**	**5,870.47**
	Assets					
a.	Gross Block	5,744.92	6,012.77	6,935.13	7,030.78	7,082.95
b.	**Less:** Deprecation	2,209.87	2,430.75	2,692.02	2,964.80	3,197.50
c.	Net Fixed Assets	3,535.05	3,582.02	4,243.11	4,065.98	3,885.45
d.	Capital work-in-progress	368.82	761.78	159.17	101.87	55.16
e.	Current Assets, Loans and Advances	2,619.77	1,935.74	1,411.19	1,450.19	1,364.87
f.	Accumulated losses	--	--	---	185.33	564.99
	Total	**6,523.64**	**6,279.54**	**5,813.47**	**5,803.37**	**5,870.47**
	Capital employed	**2,639.26**	**2,320.74**	**1,532.67**	**1,103.09**	**648.99**
	Net worth	**2,302.11**	**1,733.59**	**1,012.76**	**764.74**	**385.04**

NOTE:

1. Capital employed represents Net Fixed Assets PLUS capital work-in-progress PLUS Working capital
2. Net Worth represents paid-up capital plus Reserves and Surplus less accumulated losses

ANNEXURE-10

(Referred to in paragraph 2.1.5)

Working results of Tamil Nadu Tea Plantation Corporation Limited for the five years ended 31 March 2004

(Rupees in lakh)

	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
A.	**Income**					
(i)	Sales	6,139.58	4,755.69	4,785.54	4,464.12	4,151.61
(ii)	Other income	111.88	79.62	62.55	85.48	69.53
(iii)	Accretion to (+)/Decretion of (-) Stock in trade.	2.39	169.57	(-) 282.81	79.95	(-) 94.55
	Total	**6,253.85**	**5,004.88**	**4,565.28**	**4,629.55**	**4,126.59**
B.	**Expenditure**					
(iv)	Plantation and maintenance expenses.	2,682.10	2,472.02	2,308.09	2,105.87	1,829.46
(v)	Tea production expenses.	2,607.65	2,233.78	2,179.12	2,096.42	2,008.62
(vi)	Administration and other expenses	103.32	103.12	78.86	70.11	64.35
(vii)	Selling and distribution expenses.	471.32	426.34	432.25	325.54	327.14
(viii)	Finance charges.	28.14	44.42	51.22	50.95	28.80
(ix)	Total expenditure before depreciation	5,892.53	5,279.68	5,049.54	4,648.89	4,258.37
(x)	Cash loss	---	274.80	484.26	19.34	131.78
(xi)	Depreciation	240.54	229.18	276.24	290.96	255.17
	Total (including depreciation)	**6,133.07**	**5,508.86**	**5,325.78**	**4,939.85**	**4,513.54**
(xii)	Profit (+)/Loss (-)	120.78	(-)503.98	(-)760.50	(-)310.30	(-)386.95
(xiii)	Prior period expenses/ (income)	109.13	64.48	(39.72)	288.11	(7.29)
(xiv)	Net profit/ loss for appropriation.	11.65	(-) 568.46	(-) 720.78	(-) 598.41	(-)379.66
(xv)	Income tax	28.45	---	---	---	---
(xvi)	**Net Profit(+)/ Loss (-)**	**(-) 16.80**	**(-) 568.46**	**(-) 720.78**	**(-) 598.41**	**(-)379.66**

ANNEXURE – 11

(Referred to in paragraph 2.1.8)

Budgeted and actual yield of GTL in Tamil Nadu Tea Plantation Corporation Limited

(In lakh kgs)

Tea Divisions	Phase	1999-2000			2000-01			2001-02			2002-03			2003-04			Total Shortfall (Excess)
		Budgeted yield	Actual yield	Short-fall / (Ex-cess)	Budgeted yield	Actual yield	Short-fall / (Ex-cess)	Budgeted yield	Actual yield	Short-fall / (Ex-cess	Budgeted yield	Actual yield	Short-fall / (Ex-cess	Budgeted yield	Actual yield	Short-fall / (Ex-cess)	
Coonoor	I	31.00	27.33	3.67	31.00	27.43	3.57	31.00	25.50	5.50	26.60	23.77	2.83	30.58	28.10	2.48	18.05
Kotagiri	I	31.00	29.38	1.62	31.00	29.03	1.97	31.00	28.91	2.09	29.75	26.35	3.40	32.03	28.15	3.88	12.96
Cherambady	I	53.50	51.60	1.90	46.50	44.88	1.62	50.50	48.50	2.00	46.95	48.66	(1.71)	52.93	49.16	3.77	7.58
Cherangode	I	61.00	58.11	2.89	53.50	48.44	5.06	57.50	52.10	5.40	57.90	56.11	1.79	57.92	51.16	6.76	21.90
Nelliyalam	I	58.50	55.93	2.57	51.50	48.24	3.26	56.00	51.28	4.72	54.60	51.43	3.17	55.73	47.20	8.53	22.25
Kolapalli	I	61.00	67.89	(6.89)	57.00	48.89	8.11	60.00	55.49	4.51	59.00	57.44	1.56	62.14	56.44	5.70	12.99
Devala	II & III	37.00	34.93	2.07	33.50	27.69	5.81	37.00	30.16	6.84	35.40	31.31	4.09	33.75	26.49	7.26	26.07
Pandiar	II & III	64.50	62.10	2.40	58.50	54.42	4.08	63.00	53.90	9.10	61.40	59.26	2.14	59.65	48.33	11.32	29.04
Lawson	IV	18.00	19.26	(1.26)	22.00	20.01	1.99	24.40	22.94	1.46	49.70	32.69	17.01	53.45	43.46	9.99	29.19
Ryan	IV	19.00	19.38	(0.38)	21.00	16.48	4.52	19.40	17.18	2.22	43.80	43.85	(0.05)	45.17	35.00	10.17	16.48
Periakallar	IV	26.00	26.02	(0.02)	46.00	38.26	7.74	40.00	36.05	3.95	---	---	---	---	---	---	11.67
Lower Nirar	IV	19.00	21.16	(2.16)	---	---	---	---	---	---	---	---	---	---	---	---	(2.16)
Naduvattam.	IV	19.00	22.00	(3.00)	23.50	24.17	(0.67)	28.00	24.02	3.98	27.20	21.49	5.71	26.65	20.65	6.00	12.02
Total		498.50	495.09	3.41	475.00	427.94	47.06	497.80	446.03	51.77	492.30	452.36	39.94	510.00	434.14	75.86	218.04

ANNEXURE – 12

(Referred to in Paragraph 2.1.13)

Production performance of tea factories of Tamil Nadu Tea Plantation Corporation Limited

(Quantity in lakh Kg)

Name of the factory	Installed capacity of the factory	1999-2000			2000-01			2001-02			2002-03			2003-04		
		Achievable capacity	Made tea produced	Shortfall (-)/Excess (+) to achievable capacity	Achievable capacity	Made tea produced	Shortfall (-)/Excess (+) to achievable capacity	Achievable capacity	Made tea produced	Shortfall (-)/Excess (+) to achievable capacity	Achievable capacity	Made tea produced	Shortfall (-)/Excess (+) to achievable capacity	Achievable capacity	Made tea produced	Shortfall (-)/Excess (+) to achievable capacity
A.Orthodox																
Tiger hill	7.50	6.55	7.84	1.29	7.58	12.16	4.58	6.70	9.44	2.74	6.83	9.44	2.61	7.18	7.76	0.58
Quinshola	7.50	7.60	10.95	3.35	7.65	11.63	3.98	7.53	10.34	2.81	7.63	9.22	1.59	7.63	7.70	0.07
Total (A)	**15.00**	**14.15**	**18.79**	**4.64**	**15.23**	**23.79**	**8.56**	**14.23**	**19.78**	**5.55**	**14.46**	**18.66**	**4.20**	**14.81**	**15.46**	**0.65**
B. CTC																
Cherangode	22.50	23.76	19.97	(-)3.79	18.38	14.21	(-)4.17	23.18	18.65	(-)4.53	20.25	16.45	(-)3.80	22.88	18.71	(-)4.17
Cherambady	22.50	24.08	17.07	(-)7.01	20.33	16.04	(-)4.29	19.95	13.97	(-)5.98	23.33	19.73	(-)3.60	21.45	18.89	(-)2.56
Pandiar	22.50*	22.43	20.83	(-)1.60	18.98	14.19	(-)4.79	23.10	18.16	(-)4.94	14.80	17.11	2.31	14.25	16.40	2.15
Nelliyallam	15.00	14.65	17.04	2.39	15.00	15.71	0.71	15.60	16.47	0.87	13.40	17.59	4.19	14.30	17.06	2.76
Lawson	15.00	15.35	19.39	4.04	15.15	17.41	2.26	13.35	13.11	(-)0.24	2.20	1.04	(-)1.16	5.05	2.80	(-)2.25
Ryan**	15.00	---	---	---	---	---	---	8.35	4.62	(-)3.73	17.75	17.29	(-)0.46	15.25	16.23	0.98
Total (B)	**112.50**	**100.27**	**94.30**	**(-)5.97**	**87.84**	**77.56**	**(-)10.28**	**103.53**	**84.98**	**(-)18.55**	**91.73**	**89.21**	**(-)2.52**	**93.18**	**90.09**	**(-)3.09**
Grand Total (A+B)	**127.50**	**114.42**	**113.09**	**(-)1.33**	**103.07**	**101.35**	**(-)1.72**	**117.76**	**104.76**	**(-)13.00**	**106.19**	**107.87**	**1.68**	**107.99**	**105.55**	**(-)2.44**

* From 2002-03, installed capacity for the Pandiar tea factory is 15 lakh kg.

** Ryan tea factory commenced production with effect from 20 October 2001.

Note: Achievable capacity has been computed with reference to the number of days operated during the year.

ANNEXURE - 13

(Referred to in Paragraph 2.2.6)

Financial Position of Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004

(Rupees in crore)

Sl.No.	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
I.	**LIABILITIES**					
(a)	Share capital	42.50	42.50	42.50	42.50	72.50
(b)	Reserves and Surplus	3.52	3.52	2.50	2.50	2.50
(c)	**BORROWINGS**					
(i)	From IDBI/SIDBI	414.30	372.87	360.56	246.49	164.45
(ii)	Bonds and Fixed deposits	376.51	421.52	471.25	502.21	483.85
(iii)	Loan in lieu of capital	97.50	103.50	103.50	103.50	73.50
(iv)	Others*	145.18	137.50	116.40	154.71	203.25
(d)	Trade dues and Other liabilities (including provisions)	100.34	96.54	79.25	57.93	105.20
(e)	Venture capital fund and technology fund	1.18	1.18	1.18	1.18	1.18
	TOTAL	**1,181.03**	**1,179.13**	**1,177.14**	**1,111.02**	**1,106.43**
	ASSETS					
(a)	Gross block	25.44	29.46	29.94	29.90	29.92
(b)	LESS: Depreciation	7.31	8.09	8.77	9.39	9.80
(c)	Net fixed assets	18.13	21.37	21.17	20.51	20.12
(d)	Leased assets	0.69	0.11	0.01	---	---
(e)	Investments	10.92	10.69	10.38	9.39	9.39
(f)	Loans and advances	868.71	824.92	745.20	632.06	539.76
(g)	Other assets	29.17	31.29	20.16	20.81	32.10
(h)	Cash and bank balances	33.23	40.50	44.38	37.19	125.33
(i)	Advance taxes	73.04	74.32	59.77	60.07	50.77
(j)	Miscellaneous expenses	0.11	0.11	0.11	0.11	0.11
(k)	Accumulated losses	147.03	175.82	275.96	330.88	328.85
	TOTAL	**1,181.03**	**1,179.13**	**1,177.14**	**1,111.02**	**1,106.43**
(l)	**Capital employed**	**1,075.22**	**1,080.46**	**1,089.06**	**1,074.31**	**1,024.18**
(m)	**Net worth**	**(-)99.94**	**(-)128.73**	**(-)229.89**	**(-)284.81**	**(-)255.37**

Note: Capital employed represents the mean (i.e. the opening balance plus closing balance divided by two) of the following items.

1. Paid up capital, Free reserves (i.e., reserves not funded outside), All borrowings (i.e., long term finance and short term borrowings, debentures/bonds *etc*).

2. Networth represents paid up capital plus reserves less intangible assets.

* Priority sector bonds, RBI adhoc loan, soft loan, short-term loan and subvention.

ANNEXURE - 14

(Referred to in Paragraph 2.2.7)

Working Results of Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004

(Rupees in crore)

Sl.No.	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
I.	**INCOME**					
(a)	Interest on term loans	135.61	135.65	109.26	105.64	98.48
(b)	Other interest on term deposit	1.99	1.10	0.99	1.26	0.91
(c)	Lease income	1.54	0.65	0.10	0.03	0.02
(d)	Hire purchase income	3.20	5.16	0.69	2.36	3.50
(e)	Dividend	0.56	0.97	1.12	0.71	0.85
(f)	Profit on sale of assets	0.02	0.02	0.03	NIL	0.02
(g)	Other income	3.71	5.46	7.46	3.34	8.56
(h)	Bad debts recovered	4.42	2.85	2.08	2.91	9.11
	TOTAL	**151.05**	**151.86**	**121.73**	**116.25**	**121.45**
II.	**Expenditure**					
(a)	Interest on deposits, debentures, refinance and bonds	125.43	126.32	125.74	118.76	98.17
(b)	Salaries and allowances	13.94	14.69	14.61	15.71	13.36
(c)	Office expenses	4.62	4.95	4.51	4.09	4.14
(d)	Bank charges	0.03	0.02	0.04	0.04	0.04
(e)	Other expenses	4.55	3.88	4.15	2.81	2.97
(f)	Depreciation	2.16	1.44	0.94	1.67	0.56
(g)	Write-off/Provision for Non-Performing Assets	---	---	72.90	28.08	---
	TOTAL	**150.73**	**151.30**	**222.89**	**171.16**	**119.24**
III.	**Profit/Loss for the year as per accounts**	**0.32**	**0.56**	**(-)101.16**	**(-)54.91**	**2.21**
IV.	**Provision for NPA (not routed through profit and loss account)**	**34.01**	**29.36**	**---**	**---**	**---**
V.	**Profit/Loss for the year**	**(-)33.69**	**(-)28.80**	**---**	**---**	**---**

ANNEXURE - 15

(Referred to in Paragraph 2.2.8)

Resources and utilisation of funds in Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004

(Rupees in crore)

Sl.No.	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
I.	SOURCES					
	BORROWINGS					
(i)	Refinance	74.13	52.42	75.98	52.78	47.63
(ii)	Bonds	25.00	47.13	48.82	32.67	NIL
(iii)	Others*	24.41	21.76	13.07	41.36	204.73[@]
(iv)	State Government	1.00	6.00	NIL	NIL	NIL
(v)	Short-term loans	NIL	NIL	NIL	54.00	---
	TOTAL (A)	**124.54**	**127.31**	**137.87**	**180.81**	**252.36**
	OTHER THAN BORROWINGS					
(i)	Recovery from loans	297.61	354.52	307.92	320.55	345.47
(ii)	Others	77.14	46.26	52.41	53.93	19.21
	TOTAL (B)	**374.75**	**400.78**	**360.33**	**374.48**	**364.68**
	GRAND TOTAL (A+B)	**499.29**	**528.09**	**498.20**	**555.29**	**617.04**
II.	UTILISATION					
(i)	Disbursement of loan	172.81	200.20	187.94	126.68	139.83
(ii)	Repayment of bonds	15.12	6.88	11.27	56.78	75.30
(iii)	Repayment of loan/interest	229.07	247.27	226.97	303.36	253.19
(iv)	Others	82.29	73.74	72.02	68.47	148.72
	TOTAL	**499.29**	**528.09**	**498.20**	**555.29**	**617.04**
	Plough back (percentage of recovery of loan)	48.27 (16.21)	72.89 (20.56)	50.07 (16.26)	NIL ---	NIL ---
	Percentage of disbursement to recovery	58.06	56.47	61.03	39.52	40.47

* Fixed deposits, RBI adhoc loans and subvention

@ Subvention, loans from Indian Bank, Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited

ANNEXURE- 16

(Referred to in Paragraph 2.2.10)

Receipt and disposal of applications for loan assistance in Tamil Nadu Industrial Investment Corporation Limited for the five years ended 31 March 2004

(Rupees in crore)

Sl. No.	Description	1999-2000		2000-01		2001-02		2002-03		2003-04	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Applications pending at the beginning of the year	150	53.16	114	22.30	97	31.57	131	65.48	153	17.24
2.	Applications received during the year	3,315	321.49	3,391	441.70	2,661	369.04	2,100	232.61	1,974	295.83
	TOTAL	**3,465**	**374.65**	**3,505**	**464.00**	**2,758**	**400.61**	**2,231**	**298.09**	**2,127**	**313.07**
3.	Applications disposed of during the year										
	(a) Gross sanction (all types)	3,050	251.09	3,100	286.52	2,285	212.78	1,778	151.40	1,630	200.30
	(b) Closed, withdrawn, *etc*	301	101.26	308	145.91	342	122.35	300	129.45	302	64.98
4.	Applications pending at the end of the year	114	22.30	97	31.57	131	65.48	153	17.24	195	47.79
	TOTAL	**3,465**	**374.65**	**3,505**	**464.00**	**2,758**	**400.61**	**2,231**	**298.09**	**2,127**	**313.07**
5.	Amount disbursed		172.81		200.20		187.94		126.68		139.83

ANNEXURE- 17

(Referred to in Paragraphs 2.2.11 and 2.2.15)

Analysis of overdues of term loan in respect of closed/defunct units assisted by Tamil Nadu Industrial Investment Corporation Limited

(A) Faulty appraisal

(Amount - Rupees in lakh)

Sl. No	Name of the unit	Amount disbursed	Amount outstanding		Total	Reasons for overdue and remarks
			Principal	Interest including compound and penal interest		
1.	Babu Spinning Private Limited	79.00	51.43	171.56	222.99	Promoters were only traders in cotton yarn and did not possess experience in production.
2.	Vetri Spinning Mills Limited	104.56	96.76	470.40	567.16	Failure to evaluate the viability of the unit at the time of appraisal resulted in accumulation of overdue amount.
3.	Thangam Spinners	65.19	65.19	355.87	421.06	Loan amount was disbursed without the unit having made arrangements for working capital.
4.	PSS Garments	69.27	45.57	200.27	245.84	Defective appraisal, due to non-verification of export market tie up.
5.	Durga Lodge	78.67	78.67	190.83	269.50	Promoters had absolutely had no experience in hotel industry. While sanctioning the loan, the Company recorded that Tirutani being a pilgrimage centre was expected to attract tourist and also business community. However, in February 2000, the Company stated that the lodge was established without studying demand potential.
6.	Kalaimani Spinning Mills	89.90	89.90	265.98	355.88	Insufficient collateral security and working capital.
7.	Alps Granites	70.44	70.44	235.80	306.24	Company extended a second loan of Rs.40.54 lakh for escalation of the project cost, though there was inordinate delay of more than three years in the implementation of the project.
8.	Kavin Steels Private Limited	108.30	96.13	143.50	239.63	Promoters had no experience at all in steel industries. One was an agriculturist and the others were lawyers. Project was not implemented. Inordinate delay in taking

Sl. No	Name of the unit	Amount disbursed	Amount outstanding			Reasons for overdue and remarks
			Principal	Interest including compound and penal interest	Total	
						action under SFC Act.
9.	R.S.R Spinning	94.08	92.45	256.66	349.11	Loan disbursed to a known defaulter. Already two spinning mills were functioning in the same premises. These two mills were chronic defaulters. Collateral security value not known to the Company till date (August 2004).
10.	Umashankar Alloys Limited	88.71	88.71	330.27	418.98	Market potential of finished goods not assessed properly. Though account was foreclosed in October 1996, assets have not yet been taken over (March 2004).
11.	Peetee Tubes	268.98	228.97	779.22	1,008.19	Disbursement of loan to a promoter without analysing the market potential of the product and heavy competition resulting in very low price.
12.	Suchita Mills (Private) Limited	148.48	148.48	439.08	587.56	Disbursement without ascertaining the credential of the promoter.
13.	Millenium Business Solution Private Limited	182.00	182.00	53.00	235.00	Failure to verify independently, promoter's claim on business generation.
14.	Ashok Kumar Hotels Private Limited	80.00	62.31	39.06	101.37	Field intelligence report was doubtful about promoter's capacity to bring in required capital. Promoter also had no experience in hotel industry.
15.	Shree Ragavendras	30.00	29.17	0.99	30.16	Similar vide/audio recording companies to whom loans were disbursed earlier were not functioning satisfactorily and were chronic defaulters.
16.	Kumaran Roller Flower Mills (Private) Limited	90.00	74.69	50.22	124.91	The Company did not ensure that the promoter had tied up for the entire working capital requirement.
17.	United Machineries Works Limited	150.00	121.00	326.00	447.00	Promoter had no experience in running textile mills; Company failed to ensure independently the suitability of second hand machinery.
18.	Nagalakshmi Textile Mills Limited	250.00	239.00	573.00	812.00	Promoters were also Directors of units, which defaulted in repayment of dues to the Company.
	TOTAL	**2,047.58**	**1,860.87**	**4,881.71**	**6,742.58**	

(B) Ineffective follow-up

Sl. No	Name of the unit	Amount disbursed	Amount outstanding		Total	Reasons for overdue and remarks
			Principal	Interest including compound and penal interest		
1.	Shankar Paper and Boards Limited	106.03	59.54	406.14	465.68	Rift in management and working capital problem had resulted in failure of project and non-recovery of dues.
2.	Litton Displays	75.42	74.00	320.90	394.90	Failure to obtain collateral security. Inordinate delay of more than seven years in taking possession.
3.	Dhanalakshmi Steels	85.45	60.32	139.43	199.75	Unit had become defunct since September 2001. Obtaining insufficient collateral security resulting in non-recovery of dues.
4.	Metpro Industries	130.00	130.00	274.17	404.17	Promoter had no experience in manufacturing line of steel industry and he hailed from trading community and hence unable to solve the technical problem in the manufacturing industries.
5.	Shan Holiday Inn (Private) Limited	349.84	343.46	972.38	1,315.84	Failure to take timely possession of the property and to invoke the collateral security.
6.	Boopathy Spinneers	122.00	122.00	519.00	641.00	Unit failed to get power connection. In spite of default right from the beginning, the Company did not take possession of the assets. Machinery valuing Rs.1.40 crore were found missing.
	TOTAL	868.74	789.32	2,632.02	3,421.34	

ANNEXURE- 18

(Referred to in Paragraph 2.2.20)

Statement of amounts due for recovery and recovered by Tamil Nadu Industrial Investment Corporation Limited for the last five years 1999-2000 to 2003-04

(Rupees in crore)

Sl. No.	Particulars	1999-2000			2000-01			2001-02			2002-03			2003-04		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1.	Demand															
	(a) Arrears at the beginning of the year	56.76	319.62	376.38	50.50	370.11	420.61	261.79	207.42	469.21	254.15	297.53	551.68	245.28	402.02	647.30
	(b) Amount fell due during the year	156.75	200.35	357.10	240.36	217.23	457.59	192.87	211.30	404.17	207.14	214.02	421.16	186.58	143.00	329.58
	TOTAL DEMAND	**213.51**	**519.97**	**733.48**	**290.86**	**587.34**	**878.20**	**454.66**	**418.72**	**873.38**	**461.29**	**511.55**	**972.84**	**431.86**	**545.02**	**976.88**
II.	Target for recovery	155.00	145.00	300.00	160.00	160.00	320.00	215.00	155.00	370.00	195.00	112.00	307.00	204.00	102.00	306.00
	(a) Percentage of target to demand	72.60	27.89	40.90	55.01	27.24	36.44	47.29	37.02	42.36	42.27	21.89	31.56	47.24	18.71	31.32
III.	Recovery															
	(a) Arrears at the beginning of the year	41.85	56.09	97.94	37.78	46.50	84.28	34.07	29.21	63.28	35.76	34.02	69.78	116.49	40.62	157.11
	(b) Amount fell due during the year	115.06	84.61	199.67	169.98	100.26	270.24	161.73	82.91	244.64	175.26	75.51	250.77	126.98	61.38	188.36
	TOTAL COLLECTION	**156.91**	**140.70**	**297.61**	**207.76**	**146.76**	**354.52**	**195.80**	**112.12**	**307.92**	**211.02**	**109.53**	**320.55**	**243.47**	**102.00**	**345.47**

Sl. No.	Particulars	1999-2000			2000-01			2001-02			2002-03			2003-04		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
IV.	Outstanding															
	(a) Arrears at the beginning of the year	14.91	263.53	278.44	12.72	323.61	336.33	227.72	178.21	405.93	218.39	263.51	481.90	128.79	361.40	490.19
	(b) Amount fell due during the year	41.69	115.74	157.43	70.38	116.97	187.35	31.14	128.39	159.53	31.88	138.51	170.39	59.60	81.62	141.22
	SUB TOTAL	**56.60**	**379.27**	**435.87**	**83.10**	**440.58**	**523.68**	**258.86**	**306.60**	**565.46**	**250.27**	**402.02**	**652.29**	**188.39**	**443.02**	**631.41**
	LESS: Rescheduled	**6.10**	**9.16**	**15.26**	**11.68**	**10.99**	**22.67**	**4.71**	**9.07**	**13.78**	**4.99**	---	**4.99**	**49.55**	**22.52**	**72.07**
	BALANCE OVER DUES	**50.50**	**370.11**	**420.61**	**71.42**	**429.59**	**501.01**	**254.15**	**297.53**	**551.68**	**245.28**	**402.02**	**647.30**	**138.84**	**420.50**	**559.34**
V.	Percentage of recovery															
	(a) Arrears at the beginning of the year	73.73	17.55	26.02	74.81	12.56	20.04	13.01	14.08	13.49	14.07	11.43	12.65	47.49	10.10	24.27
	(b) Amount fell due during the year	73.40	42.23	55.91	70.72	46.15	59.06	83.85	39.24	60.53	84.61	35.28	59.54	68.06	42.92	57.15

NOTE:

Up to the financial year 2000-01 in respect of foreclosed accounts only defaulted amount has been taken as principal overdues. Consequent to computerisation from the year 2001-02, the entire outstanding has been taken as principal overdues in such accounts. Similarly, interest subsequent to foreclosure has not been taken for arriving the interest overdues till the financial year 2000-01. But from the financial year 2001-02, the same has also been taken into account for calculating the interest overdues. Likewise, till 2000-01 principal and interest in respect of loss assets was excluded for demands.

Demand raised and amount collected in respect of short term loan to the Tamil Nadu Civil Supplies Corporation Limited and Tamil Nadu Telecommunications Limited during the financial year 2001-02 has been excluded.

ANNEXURE-19

(Referred to in Paragraph 3.1.1)

Installed capacity and generation of power by the power stations of Tamil Nadu Electricity Board

	Particulars	Number of power stations (units)	Installed capacity (MW) (31.3.04)	Generation (In million units)				
				1999-2000	2000-01	2001-02	2002-03	2003-04
I.	**Hydel**	**32**	**1,987.40** (36.80)*	**4,444**	**5,450**	**4,350**	**2,724**	**2,067**
II.	**Thermal**							
(a)	Ennore	1(5 units)	450	1,295	753	1,149	1,742	1,264
(b)	Tuticorin	1(5 units)	1,050	7,449	7,934	8,105	8,193	8,083
(c)	Mettur	1(4 units)	840	5,786	6,422	6,396	6,738	6,735
(d)	North Chennai	1(3 units)	630	4,331	4,355	4,675	4,407	4,348
	TOTAL	**4**	**2,970** (54.99)	**18,861**	**19,464**	**20,325**	**21,080**	**20,430**
III.	**Gas based**							
(a)	Narimanam	**	0	31	15	0	0	0
(b)	Thirumakottai***	1	107.88	---	36	697	727	724
(c)	Valuthur****	1	95	---	---	---	104	672
(d)	Kuthalam*****	1	101.40	---	---	---	---	108
	TOTAL	**3**	**304.28** (5.63)	**31**	**51**	**697**	**831**	**1,504**
IV.	**Naptha based**							
(b)	**Basin Bridge**	**1(4 units)**	**120** (2.22)	**86**	**164**	**173**	**276**	**89**
V.	**Windmill**	**120**	**19.355** (0.36)	**27**	**18**	**17**	**18**	**24**
	Total Board	**160**	**5,401.035** (100)	**23,449**	**25,147**	**25,562**	**24,929**	**24,114**

* Figures in brackets denote percentage in each category to total installed capacity

** Units I & II kept under shut down from Oct. 2000 & June 1999 respectively. TNEB has decided to scrap these units in February 2001.

*** Date of Commissioning 30 March 2001

**** Date of Commissioning 13 March 2003

***** Date of Commissioning 24 March 2004

ANNEXURE-20

(Referred to in Paragraph 4.8.13)

Performance of Internal Audit Wing of Tamil Nadu Electricity Board

(A) Regional Audit Parties

(Money value - Rupees in crore)

	1999-2000			2000-01			2001-02			2002-03		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
Opening balance	1,755	11,040	16.30	2,305	14,130	26.04	2,744	17,270	34.71	3,052	20,070	62.97
Issued	886	9,714	24.04	644	8,296	31.92	596	8,029	72.17	628	10,988	34.95
Clearance	336	6,624	14.30	205	5,156	23.25	288	5,229	43.91	362	6,985	27.06
Closing balance	2,305	14,130	26.04	2,744	17,270	34.71	3,052	20,070	62.97	3,318	24,073	70.86

(B) Concurrent Audit Parties at Thermal Power Stations

(Money value - Rupees in crore)

	1999-2000			2000-01			2001-02			2002-03		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
Opening balance	204	1,446	4.58	258	1,311	4.69	312	1,453	5.14	355	1,528	26.21
Issued	69	943	0.69	75	958	1.08	57	616	47.54	68	676	3.61
Clearance	15	1,078	0.59	21	816	0.63	14	541	26.47	66	872	6.44
Closing balance	258	1,311	4.69	312	1,453	5.14	355	1,528	26.21	357	1,332	23.39

(C) Concurrent Audit Party at Poompuhar Shipping Corporation Limited

(Money value - Rupees in crore)

	1999-2000*			2000-01			2001-02			2002-03		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
Opening balance	1	58	2.98	2	89	6.51	7	231	22.01	8	252	23.65
Issued	1	31	3.53	5	143	15.50	1	21	1.89	1	10	0.71
Clearance	---	---	---	---	1	---	---	---	0.25	---	---	0.26
Closing balance	2	89	6.51	7	231	22.01	8	252	23.65	9	262	24.10

* This was the first year of audit by Concurrent Audit Party.

ANNEXURE-21

(Referred to in Paragraph 4.19.1)

Statement showing paragraphs/reviews for which explanatory notes were not received

Sl. No	Name of the Department	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
1	Adi Dravidar Welfare	---	---	---	---	1	1
2	Energy	---	---	---	1	---	1
3	Handlooms, Handicrafts, Textiles and Khadi	---	---	---	---	1	1
4	Highways	---	1	---	---	1	2
5	Industries	---	---	7	5	5	17
6	Rural Development and Local Administration	1	---	---	---	---	1
7	Small Industries	---	4	6	4	4	18
8	Social Welfare and Noon Meal Programme	---	---	---	---	1	1
9	Transport	---	---	---	---	1	1
	TOTAL	**1**	**5**	**13**	**10**	**14**	**43**

ANNEXURE-22

(Referred to in Paragraph 4.19.3)

Statement showing persistent irregularities pertaining to Government Companies appeared in the Report of CAG of India (Commercial) – Government of Tamil Nadu

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
1. Tamil Nadu Industrial Investment Corporation Limited						
(i)	Disbursement of loans without due verification of adequacy, validity, real worth and genuineness of the collateral securities offered by the borrowers	1998-99/4A.2	1.41	Grant of term loans without adequate collateral security and failure to verify purchase/creation of assets resulted in non-realisation of over-dues	Responsibility is required to be fixed on the officials of the company for disbursement of loans without due verification.	After detailed enquiry four officials of the company were dismissed from service (May 2003).
		2000-2001/4A.2.2 (1) & (2)	0.65	Failure to ascertain the guideline value of collateral securities from Registration Authorities before disbursement of loan resulted in a loss of Rs.0.65 crore.	Responsibility is required to be fixed on the officials of the company for not ascertaining the guideline value of collateral securities from the Registration Authorities before disbursement of loan.	In the case of sub para (1) the Government stated that criminal complaint had been lodged against the promoter, owner of the collateral security and the valuer (July 2001) In case of sub para (2) further compliance is not yet received

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
		2000-2001/4A.2.3	0.43	Release of term loans relying on bogus collateral securities resulted in non recovery of dues.	Responsibility is required to be fixed on the officials of the company for not verifying the genuineness of the collateral securities.	The Government stated that criminal complaints were lodged against the promoters and action was being taken against the officials for the lapses in this regard (July 2001). Further compliance not received.
(ii)	Violation of guidelines governing sanction of loan	1997-98/4A.4	8.84	Violation of guidelines while sanctioning leasing and hire purchase loans to 16 industrial units.	Responsibility is required to be fixed on the officials for extension of leasing and hire purchase loans in violation of Guidelines.	The Company accepted the facts and stated that appropriate action was being initiated against the officials responsible for such lapses. No further compliance received.
		1999-2000/4A.8	0.85	Sanction of loan ignoring the appraisal report, release of loan disregarding the guidelines prescribed by the Board of Directors of the company.	Responsibility is required to be fixed on the officials for release of loan disregarding the guidelines.	Action was intimated for invoking the collateral security (May 2000). No further compliance received
2. Tamil Nadu Small Industries Development Corporation Limited						
(i)	Investment of funds on unproductive project	1999-2000/4A.10	1.05	Unproductive investment of Rs.1.05 crore due to injudicious decision to construct Block-II of garment complex	Before going in for construction of multi-storeyed Industrial complex at Guindy the company should have assessed the demand realistically taking into account the demand for the earlier Industrial complexes.	No Compliance received.

2-19—27

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rupees in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
	Idle investment on construction of Electronic Complex	2001-2002/4A.4.2	2.51	Construction of 40 modules in Electronic complex, Guindy without demand resulted in idle investment of Rs.2.51 crore.	Before going in for construction of Electronic complex at Guindy the company should have assessed the demand realistically taking into account the demand for the earlier complexes.	No Compliance received.

ANNEXURE-23

(Referred to in Paragraph 4.19.3)

Statement showing persistent irregularities pertaining to Statutory corporations appeared in the Reports of CAG of India (Commercial) – Government of Tamil Nadu

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
1	Extension of tariff concession in contravention of Government orders	1998-99/4B.2	2.76	Loss of revenue due to irregular extension of tariff concession to M/s Sree Aravind Steel Limited	Before extending concession under new industry category, the officials of the Board ensure themselves that the concession is extended to the eligible consumers only	The department stated that the concession extended to the said consumer amounting to Rs. 2.76 crore was withdrawn and notices under R. R & R. D Act was issued. However, the consumer obtained a stay order in the court (March 2002). No further compliance received.
		2001-02/4B.1.9	0.21	Failure to withdraw concession extended to an ineligible consumer resulted in revenue loss of Rs. 0.21 crore	Before extending concession under new industry category, the officials of the Board ensure themselves that the concession is extended to the eligible consumers only	The Government stated that necessary instruction had been issued to withdraw the new industries tariff concession extended to the consumer and recover the amount (March 2004). Further compliance not received (August 2004).
2	Procurement of materials without proper planning and assessment of complete requirement resulted in locking up of Boards' fund and consequent loss of interest	2000-01/4B.1.3	0.85 + 0.45 = 1.30	Failure to allot allied equipment resulted in non-commissioning of circuit breakers leading to locking up of Boards fund for a period ranging from 42 to 54 months	Before procurement of materials the officials of the Board should assess the requirement realistically and ensure their procurement in time.	Four circuit breakers are yet to be commissioned (March 2004). Further compliance awaited (August 2004)
		2001-02/4B.1.3	3.22	Transmission towers purchased for general construction circle,	Before procurement of materials the officials of the Board should assess the	The Government justified the placement of order (March 2004). However, the details of utilisation of tower parts are yet

Sl. No.	Gist of Persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of Audit observations	Actionable points/Action to be taken	Details of actions taken
				Chennai at a cost of Rs. 3.22 crore were lying idle for more than four years.	requirement realistically and ensure their procurement in time.	to be received (August 2004).

ANNEXURE-24

(Referred to in paragraph 4.20)

Statement showing the department-wise outstanding Inspection Reports (IRs)

Sl. No	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industry	11	37	224	1995-96
2.	Small Industry	5	12	79	1998-99
3.	Information Technology	1	5	29	1998-99
4.	Commercial Taxes	1	1	4	2001-02
5.	Information and Tourism	2	6	51	1994-95
6.	Agriculture	3	6	13	2000-01
7.	Prohibition and Excise	1	4	18	1999-2000
8.	Social Welfare and Noon-Meal Programme	1	4	7	2000-01
9.	Energy	1	1	3	2003-04
10.	Municipal Administration and Water Supply	1	1	11	2003-04
11.	Transport	9	27	69	2000-01
12.	Fisheries	1	2	3	2002-03
13.	Public (Ex-servicemen)	1	5	11	1996-97
14.	Health and Family Welfare	1	4	16	2000-01
15.	Adi Dravidar and Tribal Welfare, Backward Classes, Most Backward Classes and Minority Welfare	3	11	49	1997-98
16.	Rural Development and Local Administration	1	3	5	1995-96
17.	Home	1	2	5	2002-03
18.	Public Works	1	9	37	1995-96
19.	Highways	1	5	46	1995-96
20.	Handloom, Handicrafts, Khadi and Textiles	4	11	32	1999-2000
21.	Environment and Forest	3	8	24	1997-98
22.	Food and Consumer Protection	2	8	75	1996-97
23.	Tamil Nadu Electricity Board	1	585	2,486	1997-98
	Grand Total	**57**	**759**	**3,304**	

ANNEXURE-25

(Referred to in paragraph 4.20)

Statement showing the department-wise draft paragraphs, reply to which are awaited

Sl. No	Name of Department	Number of draft paragraphs	Period of issue
1.	Industry	2	June to August 2004
2.	Energy	10	April to September 2004
3.	Co-operation, Food and Consumer Protection	2	April to June 2004
5.	Transport	1	May 2004
6.	Finance	1	September 2004
	TOTAL	**16**	

GLOSSARY

Glossary of technical terms used in the Information Technology Review on Implementation of Software on High Tension Revenue Billing in Tamil Nadu Electricity Board

Sl.No.	Terms	Para reference	Meaning
1.	HT services	3.2.1	Three phase supply with 11000 volts or above between phases or three-phase 415 volts between phases.
2.	central server	3.2.2	A dedicated higher capacity computer in the Board Headquarters, storing the data transmitted by the EDCs.
3.	SQL	3.2.2	Structured Query Language-An interactive programming language to create, maintain, and query relational databases.
4.	Banking charges for wind mill services	3.2.4	Charges levied by Board (5 *percent* of the units fed into the Board lines) to carry forward the surplus energy generated by windmill units, after adjusting it against consumption of units of a particular month in respect of a HT service.
5.	RKVAHr penalty .	3.2.4	(Reactive Kilovolt Ampere-Hour) penalty-levied on windmill units for drawing reactive power if they failed to maintain a minimum power factor of 0.85.
6.	KVA	3.2.9	(Kilovolt ampère)-rating of all the equipments in Kilowatt divided by 0.9
7.	Kvahr	3.2.11	(Kilovolt ampere hour)- a unit of electrical power equal to 1000 volt amperes.
8.	Kwhr	3.2.11	(Kilo watt hour)-Unit of energy equivalent to one kilowatt (1KW) of power expended for one hour time.
9.	Energy audit	3.2.25	A mandatory audit for all HT services with MD above 700 KVA with the aim of conserving energy

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